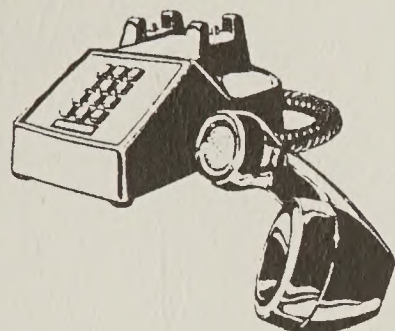
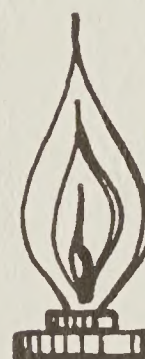
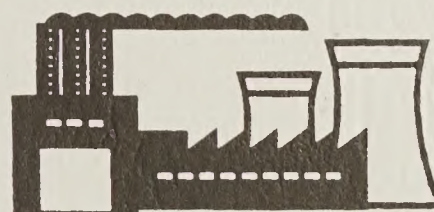




North Carolina Utilities Commission



2003 Report - Volume XXXIV



***Major Activities Through December 2003 with Statistical and
Analytical Data Through 2002***

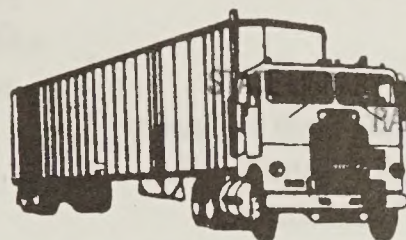
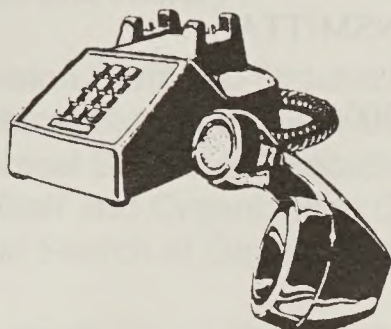


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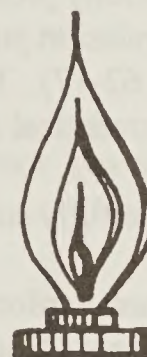
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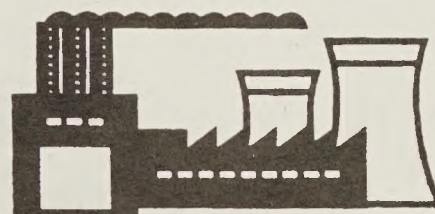
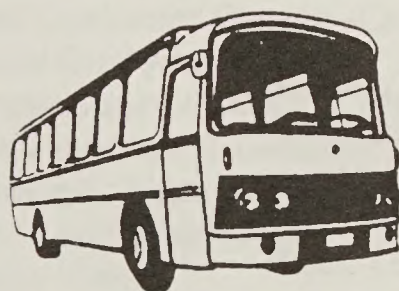
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RALEIGH



North Carolina Utilities Commission



2003 Report - Volume XXXIV



***Major Activities Through December 2003 with Statistical and
Analytical Data Through 2002***

LETTER OF TRANSMITTAL

October 1, 2004

The Honorable Michael F. Easley
The Governor of North Carolina
Raleigh, North Carolina

Dear Governor Easley:

We hereby present for your consideration the 2003 Report of the North Carolina Utilities Commission pursuant to Section 17 of the Public Utilities Act of 1963 as amended in 1977 (G.S. 62-17). The report covers the major activities of the Commission through December 2003 with statistical and analytical data for the operations of the utilities through 2002.

Respectfully submitted,

Jo Anne Sanford, Chair
J. Richard Conder
Robert V. Owens, Jr.
Sam J. Ervin, IV
Lorinzo L. Joyner
James Y. Kerr, II
Michael S. Wilkins

Prepared by

North Carolina Utilities Commission
Division of Fiscal Management
4325 Mail Service Center
Raleigh, NC 27699-4325
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I. Organization And History

A. COMMISSION STAFF AND ORGANIZATION CHART

There were seven Commissioners and 56 Commission Staff positions as of January 1, 2004. Commissioners are appointed by the Governor subject to the confirmation by the General Assembly in joint session.

**NORTH CAROLINA UTILITIES COMMISSION
COMMISSION STAFF**

Commissioners and Division Personnel
as of January 1, 2004

Commissioners
Jo Anne Sanford, Chair

J. Richard Conder Commissioner	Lorinzo L. Joyner Commissioner
Robert V. Owens, Jr. Commissioner	James Y. Kerr, II Commissioner
Sam J. Ervin, IV Commissioner	Michael (Mike) S. Wilkins Commissioner

Division Directors and Chief Clerk

Chief Clerk.	Geneva S. Thigpen
Administration Division	Robert H. Bennink, Jr.
Operations Division	Donald R. Hoover
Fiscal Management Division	Deborah S. Holder

B. BIOGRAPHICAL SKETCH OF EACH COMMISSIONER

JO ANNE SANFORD, CHAIR: Prior to joining the Commission on July 19, 1995, Chairman Sanford worked 20 years with the North Carolina Attorney General's Office. As Special Deputy Attorney General, she led the Utilities and Insurance Section, representing the Department of Insurance, the State Health Plan, the Secretaries of State and Commerce, the Auditor and utilities ratepayers. Earlier assignments were in the areas of environmental, energy, and Indian law. She chaired the 1994 Department of Justice Combined Campaign and Department of Justice Insurance committees.

Sanford, a Democrat, was born October 18, 1950, in Laurinburg and is a 1968 graduate of Randleman High School. She graduated from North Carolina State University in 1972 with a B.S. in Political Science and from the School of Law at the University of North Carolina in 1975 with a J.D. Governor James B. Hunt appointed her Chair of the Commission on February 1, 1997, then appointed her to a four year term beginning July 1, 1997. Governor Michael F. Easley appointed her to a second full term as Chair in June, 2001. Commissioner Sanford was reappointed for a term that began July 1, 2003, and expires June 30, 2011.

Professional affiliations include the North Carolina and Wake County Bar Associations, the 10th Judicial District Bar, the Susie Sharp Inns of Court and Women Executives in State Government. She chaired a subcommittee of the National Association of Regulatory Utility Commissioners (NARUC) Communications Committee and is a member of the NARUC Board of Directors. She was one of three state appointees to the Federal Communications Commission's North American Numbering Council, is the sole state commissioner member of the Board of Directors Universal Service Administration Corporation, and serves with the five FCC Commissioners on a Joint Conference established to promote the deployment of broadband services to all parts of the country. She chairs the Board of Directors of the National Regulatory Research Institute (NRRI) at the Ohio State University and is a regular speaker at a variety of public utilities conferences and

seminars. As Commission Chair, Sanford is an *ex officio* member of the North Carolina Tax Review Board, the Energy Policy Council, the Agency for Public Telecommunications and the Geographic Information Systems Board. In 2002 she attended the Kennedy School of Government's State and Local Executives program on an IBM scholarship, as well as an advanced communications conference at the Aspen Institute.

Chairman Sanford and her family are active members of Trinity United Methodist Church. She is a member of the Society for the Preservation of Historic Oakwood and North Carolina State University's Graduate School Board of Advisors. She is a recipient of: The Wake County YWCA 1998 Academy of Women designation, the 1999 Distinguished Women of North Carolina award for government service, and the 2003 Outstanding Government and Public Sector Attorney Award from the Bar Association's Government and Public Sector Section.

Sanford and her husband, William E. (Billy) Brewer, Jr., have one daughter and reside in Oakwood, a historic district in downtown Raleigh.

J. RICHARD CONDER, COMMISSIONER:

Born July 20, 1930, in Hamlet, North Carolina; Hamlet High School (1949); East Carolina University, B.S. Accounting; Louisiana State University, Graduate School of Banking; North Carolina Bankers Association School, Chapel Hill, North Carolina. Lundin and Spencer, CPA (1958-1960); Senior Vice President - Area Manager, Southern National Bank, (1960-1974); Vice President, First Union National Bank (1974-1997). County Commissioner of Richmond County (1962-1984); Chairman of Board, Richmond County, (1964-1984); President, North Carolina County Commissioners Association (1973); President, National Association of Counties (1980); North Carolina Senator (1984-1997); Chairman, Children and Youth Committee (1987-1989); Chairman, North Carolina Senate Education Committee (1989-1992); Chairman, North Carolina Senate Mental Health Committee (1993-1995); Majority Leader, North Carolina Senate (1993-1997). Former positions held: Chairman, Richmond County Economic Development Authority; President, Hamlet and

Rockingham Rotary Clubs; Hospital Trustee, Richmond Memorial Hospital; Chairman, Cancer Drive Richmond County; Chairman, Heart Fund Richmond County; Member, President Reagan's Private Section Initiative; Tar Heel of the Week - Raleigh News and Observer; Outstanding Alumnus Award - East Carolina University; North Carolina Distinguished Citizens Award (1982). Member and Elder, First Presbyterian Church of Rockingham. U.S. Air Force, Honorable Discharge 1955; assumed Commissionership July 18, 1997; current term ends June 30, 2005; married (Barbara), three children.

ROBERT V. (BOBBY) OWENS, JR.

COMMISSIONER: Born December 21, 1932, in Manteo, North Carolina; Manteo High School; East Carolina University. Co-owner and manager of Owens' Restaurant; Co-owner of fast food franchise; Director of Governor's Eastern Office (1993-1997); Dare County Board of Commissioners (1970-1978); Chairman, Dare County Board of Commissioners (1984-1997); North Carolina Tax Study Commission (1986-1988); North Carolina State Banking Commission (1982-1984); North Carolina State Parks and Recreation Commission (1980-1982); Member, Manteo Lions Club, past President; Member, Manteo Masonic Lodge; Member, Dare County Shrine Club, past President; Leadership Award for Promotion of Education and Technology in Dare County Schools; Leadership Award for Promotion of Dare County Babe Ruth World Series; Dare County Citizens of the Year Award; Town of Manteo Citizens of the Year Award; Leadership Award for North Carolina Mentally Handicapped; Member, Manteo Baptist Church; United States Coast Guard; assumed Commissionership on August 29, 1997; current term ends June 30, 2005; married (Sarah), two children.

SAMUEL JAMES (JIMMY) ERVIN, IV,
COMMISSIONER: Born November 18, 1955, in Morganton, North Carolina; Freedom High School (1974); Davidson College (1978) A.B., magna cum laude; Harvard Law School, Harvard University (1981) J.D., cum laude; Phi Beta Kappa; Phi Eta Sigma; National Merit Scholar; Joseph Moore McDonnell Scholar (1974-1977); Lunsford Richardson Scholar (1977-1978); North Carolina Fellow. Licensed to practice law in North Carolina (1981). Practiced with the Morganton,

North Carolina firm of Byrd, Byrd, Ervin, Whisnant, McMahon & Ervin, P.A., and its predecessors (1981-1999); Practice involved civil and criminal litigation in the state and federal courts and before administrative agencies as well as frequent appearances before state appellate courts. Member, First Presbyterian Church, Morganton, North Carolina, Active Deacon (1982-1984)(1987-1989), Active Elder (1989-1992) (1998-2001); Participated in various religious, charitable, and bar-related activities in Burke County since graduating from law school. Commissionership confirmed on May 6, 1999, ratified May 10, 1999; assumed Commissionership on July 2, 1999; current term ends June 30, 2007; married (Mary Temple Ervin), two stepchildren, two children.

LORINZO LITTLE JOYNER, COMMISSIONER:

Commissioner Joyner was born in Wadesboro, North Carolina on May 8, 1948. She attended public schools in Anson County and graduated from West Ansonville High School in 1965. She graduated with high honors from NC A&T State University, Greensboro, with a B.S. in English Education, in 1969. Joyner became a high school English teacher, working in the public schools of Greensboro and Durham. She left the teaching profession in 1978 to enter the School of Law at the University of North Carolina at Chapel Hill and received her J.D. in 1981. On January 22, 2001, Governor Mike Easley appointed Joyner to serve the unexpired term of Commissioner William Pittman, and to an eight-year term that commenced July 1, 2001. Joyner assumed Commissionership on January 24, 2001, and her term as Commissioner will expire on June 30, 2009.

Commissioner Joyner has held a variety of positions during her 20 year career as a government lawyer. She served as an Assistant Appellate Defender in the Office of the Appellate Defender from 1981 - 1983. She became a staff lawyer for the Public Staff of the North Carolina Utilities Commission in 1983, and continued her work in public utilities law after joining the Utilities Section of the North Carolina Attorney General's Office. Joyner also served as a adjunct professor at the North Carolina Central University School of Law in Durham. In 1991, she became a Special Deputy Attorney General, supervising the legal assistance provided to the Commissioner and Department of Insurance, the State Health Plan,

the Department of the Secretary of State, the State Auditor, the Department of Commerce, the North Carolina State Ports Authority, and the North Carolina Rural Electrification Authority.

Commissioner Joyner has been active in various bar-related and community service organizations, including the North Carolina Association of Black Lawyers, the Capital City Lawyers Association, the Tenth Judicial Bar, Race Study Circles, and Alpha Kappa Alpha Sorority, Incorporated. She has also served as a member of the Salvation Army Advisory Board and the Board of Directors for HopeLine, Inc., a crisis intervention program.

Joyner is a member of Watts Chapel Baptist Church. She and her husband, Charles, have two children and one grandchild.

JAMES YANCEY KERR, II, COMMISSIONER:

Commissioner Kerr was appointed to the North Carolina Utilities Commission by Governor Mike Easley for an eight-year term that commenced on July 1, 2001, and expires on June 30, 2009. Commissioner Kerr is the Immediate Past President of the Southeastern Association of Regulatory Utility Commissioners (SEARUC), and is a member of the Electricity Committee of the National Association of Regulatory Utility Commissioners (NARUC).

Commissioner Kerr, a Democrat, was born on March 8, 1964, in Goldsboro, North Carolina. He attended Wayne Country Day School from which he graduated in 1982. He graduated cum laude from Washington and Lee University in 1986 where he received a Bachelor of Arts in Politics. Following completion of his undergraduate degree, Kerr spent three years working for First Union Corporation in Charlotte and Atlanta. He received his Juris Doctor from the University of North Carolina at Chapel Hill School of Law, where he graduated with honors in 1992. Kerr was licensed to practice law in North Carolina in 1992 and has been admitted to practice in the Federal District Courts of the Western, Middle, and Eastern Districts of North Carolina.

Prior to coming to the Utilities Commission, Kerr was a partner with the law firm of Smith, Anderson, Blount, Dorsett, Mitchell, & Jernigan, L.L.P. His practice concentrated in civil and administrative litigation, with significant experience in the Trial Division of both the State and Federal Court systems, the Appellate Division

of the State Court system, and the Utilities Commission.

Commissioner Kerr has been active in various bar-related and community service organizations, including the American Bar Association, the North Carolina Bar Association, and the North Carolina Association of Defense Attorneys. He has served on the Board of Directors of the Triangle Division of the March of Dimes, is serving his second term on the Board of Directors of the UNC School of Law Alumni Association, and serves as a member of the Board of Directors of the North Carolina Museum of Art Foundation.

Kerr, his wife, Frances, and son, Yancey, live in Raleigh.

MICHAEL (MIKE) S. WILKINS, COMMISSIONER:

Commissioner Wilkins was born May 17, 1945, in Roxboro, North Carolina (Person County). He attended the University of North Carolina at Chapel Hill, gaining a B.S. degree in Business Administration. He served in the U.S. Air Force as a Captain.

Governor Easley appointed Mike Wilkins to the Commission effective January 2002. Before serving in this capacity, Commissioner Wilkins served as Chief of Staff and Liaison to the speaker of the North Carolina House of Representatives, the Honorable James B. Black. He made sure that important issues were brought to the Speaker's attention promptly. His major responsibility was to ensure that Members of the House were well served and that the Speaker had their support in the creation and passage of legislation. Commissioner Wilkins was the Speaker's point person on the budget and the deregulation of the electrical industry. Commissioner Wilkins also briefed the Speaker on policy issues and assisted in the process of appointing individuals to boards/commissions. Commissioner Wilkins' responsibilities were summed up by four P's: process, policy, politics and people.

Prior to joining the Speaker's staff, Mr. Wilkins served as Assistant Commerce Secretary for Economic Development and President of North Carolina's seven economic development partnerships when Governor Hunt appointed him to that post on September 15, 1997. As Assistant Secretary, Mr. Wilkins oversaw national and international business and industry development,

international trade and its seven international bureaus, marketing and customer services, Commerce's seven regional offices, tourism, film, sports development and regional operations.

Commissioner Wilkins was elected to the North Carolina House of Representatives in 1992 and served through 1997. While a Representative, he was Deputy Whip in 1997 and during his terms he served on Appropriations Subcommittee on General Government; Business and Labor Subcommittee on Economic Expansion and Growth; Judiciary III; Local and Regional Government II; Transportation Subcommittee on Airports, Railways & Waterways; Appropriations Subcommittee on Natural and Economic Resources; Business and Labor Subcommittee on Labor Relations and Employment, Ranking Minority Member; Judiciary I; Public Utilities; Appropriations--Subcommittee on Natural and Economic Resources; Commerce; Commerce--Subcommittee on Travel and Tourism; Education; Education--Subcommittee on Universities; Judiciary II; Technology.

Before serving in the Legislature, Commissioner Wilkins was Founder and Chief Operating Officer of Convenience Corner Inc., which operated real estate properties, restaurants, convenience stores and car washes in Roxboro, Durham, Greensboro and Dunn; 1971-1991. He served as Person County Commissioner, 1980-1988 (Chairman 1986-1988); and earned Outstanding Commissioner of the Year award in 1998. Other accomplishments include: Vice Chair, Person County Airport Commission; Chair, Person County Economic Development Commission; Chairman, Region K Council of Government; and Chairman, North Carolina Joint Regional Forum.

Civic Activities and Awards include: Member of the University of North Carolina at Chapel Hill Board of Visitors; Member of the successful Steering Committee for the North Carolinians for Educational Opportunities \$3.1 billion dollar bond package; Roxboro Kiwanis Club; Roxboro Area Chamber of Commerce, Director and Officer; Person County Doctor Recruitment Committee; Bank Director--First Union National Bank of Roxboro; Youth Football Coach, 5 years; Youth Basketball Coach, 9 years; Selected as one of the top thirty people of all-time honored as making a difference in Person County by Piedmont Community College, 2000; North Carolina Economic Developers Association

Outstanding Service Award, 1999; Franklin County Chamber of Commerce Exemplary Service Award, 1997; Roxboro Area Chamber of Commerce Community Services Award, 1989, Jaycees Distinguished Service Award, 1979; Air Force Commendation Medal, 1971.

Commissioner Wilkins is married to his wife Jackie and has four children and two grandchildren. His term on the Utilities Commission expires June 30, 2009.

C. BIOGRAPHICAL SKETCH OF EXECUTIVE DIRECTOR

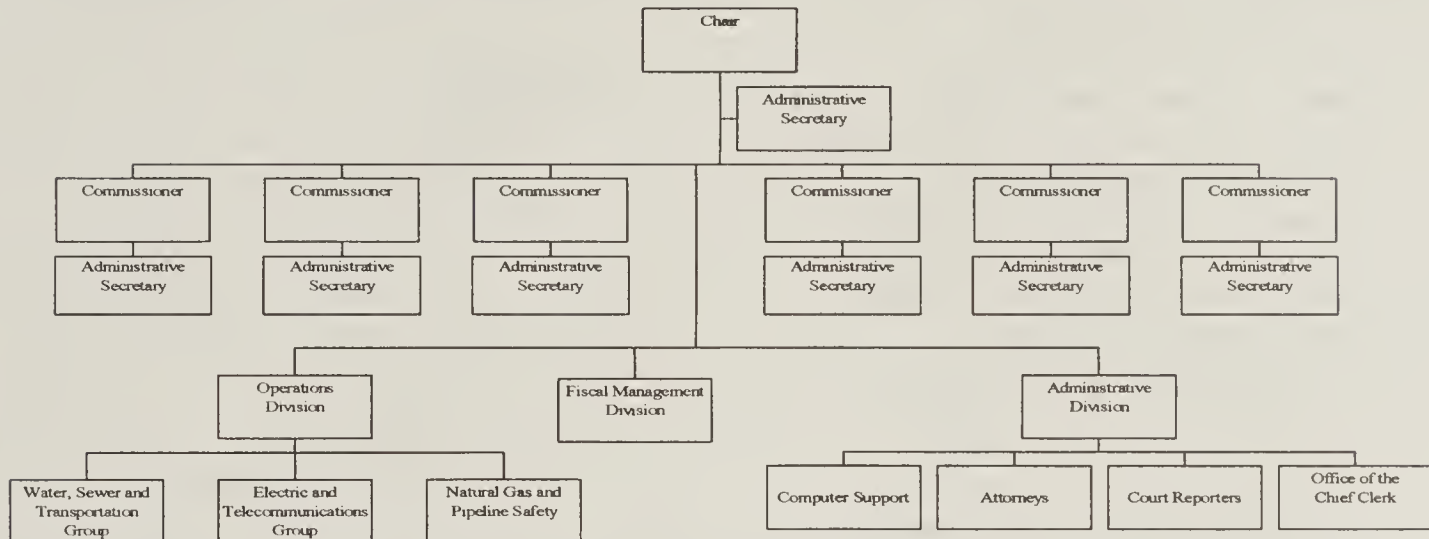
ROBERT P. GRUBER, EXECUTIVE DIRECTOR, PUBLIC STAFF, Born April 22, 1943; B.A. University of North Carolina, 1965; J.D. University of North Carolina School of Law, 1968; private law practice in Raleigh, 1968-1973; Staff Attorney, North Carolina Department of Justice, 1973-1975; Special Deputy Attorney General, Utilities Section, 1975-1978; General Counsel, North Carolina Utilities Commission, 1978-1983; appointed Executive Director, Public Staff of the North Carolina Utilities Commission, July 1, 1983 for six-year term; reappointed July 1, 1989 for second six-year term, reappointed for third six-year term July 19, 1995, and reappointed for a fourth six-year term on July 1, 2001.

FIGURE NO. 1-1

COMMISSION STAFF-ORGANIZATION CHART

January 1, 2004

FIGURE NO. 1-1A
LEADERSHIP OF STATE REGULATORY ACTIVITIES 1891-1933



- | | | |
|-----|---------------------------------|------------------------------|
| 1. | James W. Wilson (1891-1896)** | Railroad Commission of N. C. |
| 2. | Thomas W. Mason (1891-1894) | Railroad Commission of N. C. |
| 3.* | E. C. Beddingfield (1891-1896) | Railroad Commission of N. C. |
| 4. | S. Otho Wilson (1895-1896) | Railroad Commission of N. C. |
| 5. | L. C. Caldwell (1897-1898)** | Railroad Commission of N. C. |
| 6. | Jonathan H. Pearson (1897-1898) | Railroad Commission of N. C. |
| 7. | D. H. Abbott (1897-1903) | Railroad Commission of N. C. |
| 8. | Franklin McNeill (1899-1911)** | N. C. Corporation Commission |
| 9. | Sam L. Rogers (1899-1910) | N. C. Corporation Commission |
| * | E. C. Beddingfield (1904-1908) | N. C. Corporation Commission |
| 10. | Henry C. Brown (1910-1910) | N. C. Corporation Commission |
| 11. | William T. Lee (1911-1932)** | N. C. Corporation Commission |
| 12. | Edward L. Travis (1911-1916)** | N. C. Corporation Commission |
| 13. | George P. Pell (1912-1932) | N. C. Corporation Commission |
| 14. | A. J. Maxwell (1917-1928) | N. C. Corporation Commission |
| 15. | Stanley Winborne (1929-1932)** | N. C. Corporation Commission |
- (Mr. Winborne became Chairman of the N. C. Utilities Commission in 1933)

Note: The Utilities Commission was known as the Railroad Commission of North Carolina from 1891-1898, the North Carolina Corporation Commission from 1899-1932, becoming the North Carolina Utilities Commission in 1933. See Section E (Historical Sketch of Development) for additional information.

*Served at two separate times

**Served part of Commissionership as Chairman

FIGURE NO. 1-1B
NORTH CAROLINA UTILITIES COMMISSION
COMMISSIONERS LISTED IN ORDER OF APPOINTMENT
APPROXIMATE YEARS OF SERVICE GIVEN IN PARENTHESES (PLEASE SEE NOTE)

- * 1. Stanley Winborne (1933-1958)**
- * 2. F. L. Seely (1933-1940)
- * 3. Frank W. Hanft (1933-1940)
- * 4. Fred C. Hunter (1941-1955)
- * 5. Robert Grady Johnson (1941-1948)
- * 6. Joshua S. James (1949-1953)
- * 7. Edward R. McMahan (1949-1958)
- * 8. Harry T. Westcott (1949-1972)**
- * 9. Sam O. Worthington (1952-1966)
- * 10. Ralph Moody (1955-1957)
- * 11. R. Lee Whitmire (1957-1958)
- * 12. Clarence H. Noah (1958-1966)
- * 13. Richard G. Long (1958-1960)
- * 14. Thomas R. Eller, Jr. (1958-1968)
- * 15. R. Brookes Peters (1960-1966)
- 16. John Worth McDevitt (1966-1973)
- 17. M. Alexander Biggs, Jr. (1967-1969)
- 18. Clawson L. Williams, Jr. (1967-1970)
- 19. Marvin R. Wooten (1968-1976)**
- * 20. Miles H. Rhyne (1970-1973)
- * 21. Hugh A. Wells (1970-1974)
- * 22. Ben E. Roney (1973-1979)
- 23. Tenney I. Deane, Jr. (1973-1977)**
- 24. George T. Clark, Jr. (1974-1976)
- 25. J. Ward Purrington (1975-1977)
- * 26. W. Lester Teal, Jr. (1975-1977)
- 27. Barbara A. Simpson (1975-1977)
- 28. W. Scott Harvey (1976-1977)
- 29. Dr. Robert K. Koger (1977-1988)**
- 30. Dr. Leigh H. Hammond (1977-1984)
- 31. Sarah Lindsay Tate (1977-1993)
- 32. Dr. Robert Fischbach (1977-1979)
- * 33. John W. Winters (1977-1983)
- 34. Edward B. Hipp (1977-1989)
- * 35. A. Hartwell Campbell (1979-1986)
- 36. Douglas P. Leary (1980-1984)
- 37. Ruth E. Cook (1983-1991)
- * 38. Charles E. Branford (1984-1985)
- * 39. Hugh A. Crigler (1984-1985)
- 40. Julius A. Wright (1985-1993)
- 41. Robert O. Wells (1985-1993)**
- 42. William W. Redman, Jr. (1987-1995)**
- 43. Charles H. Hughes (1989-1997)

FIGURE NO. 1-1B CONTINUED
NORTH CAROLINA UTILITIES COMMISSION
COMMISSIONERS LISTED IN ORDER OF APPOINTMENT
APPROXIMATE YEARS OF SERVICE GIVEN IN PARENTHESES (PLEASE SEE NOTE)

- 44. Laurence A. Cobb (1989-1997)
- 45. Allyson K. Duncan (1991-1998)
- 46. Judy F. Hunt (1993-2001)
- 47. Ralph A. Hunt (1993-2001)**
- 48. Dr. John E. Thomas (1993-1994)**
- * 49. Hugh A. Wells (1994-1996)**
- 50. Jo Anne Sanford (1995-)**
- 51. William R. Pittman (1997-2001)
- 52. J. Richard Conder (1997-)
- 53. Robert V. Owens, Jr. (1997-)
- 54. Dr. Robert K. Koger (1999-1999)
- 55. Sam J. Ervin, IV (1999-)
- 56. Lorinzo L. Joyner (2001-)
- 57. James Y. Kerr, II (2001-)
- 58. Michael (Mike) S. Wilkins (2002-)

* Deceased **Served part of Commissionership as Chairman

NOTE: Appointments for Utilities Commissioners have never been on a calendar year basis; therefore, the years of service given in parentheses represent the (a) year in which the Commissioner was appointed, and (b) the year in which service ended.

D. PUBLIC STAFF AND ORGANIZATION CHART

As of January 1, 2004, there were 87 funded positions, including the Executive Director, comprising the Public Staff of the North Carolina Utilities Commission.

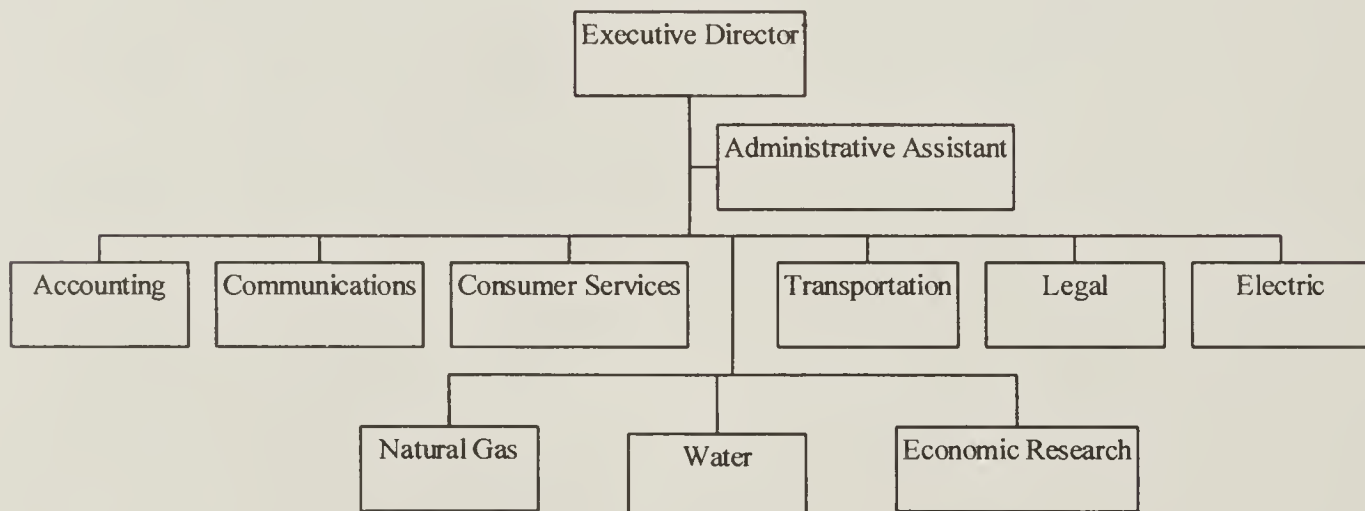
PUBLIC STAFF NORTH CAROLINA UTILITIES COMMISSION

January 1, 2004

Executive Director
Robert P. Gruber

Administrative Officer.	Dorothy Davis
Accounting Division	William E. Carter
Communications Division.	Nat Carpenter
Consumer Services Division.	Cynthia Smith
Economic Research Division	Thomas W. Farmer, Jr.
Electric Division	Ben Turner
Gas Division.	Jeffrey L. Davis
Legal Division.	Antoinette R. Wike
Transportation Rates Division	Carol Stahl
Water Division	Andy R. Lee

FIGURE NO. 1-2
PUBLIC STAFF - ORGANIZATION CHART
January 1, 2004



E. HISTORICAL SKETCH OF DEVELOPMENT

The present North Carolina Utilities Commission evolved from the Railroad Commission, which was created in 1891 by the General Assembly and was given authority to determine charges made for services rendered by railroads, steamboat, canal companies, and express and telegraph companies.

The major changes occurring in the North Carolina regulatory field since 1891 are in chronological order in all copies of this publication prior to the 1998 volume which began with major changes since 1979. This volume will begin with major changes from 1990 through 2003.

1990--Major legislation affecting the regulation of utilities:

(a) Regulation of Natural Gas Service Agreements. Chapter 962, House Bill 2227, G. S. 62-36(b), allows the Commission to direct the franchised natural gas local distribution companies to negotiate in good faith to enter into lower cost service agreements with their customers, when it finds that additional natural gas service agreements with interstate or intrastate pipelines will provide increased competition in North Carolina's natural gas industry and will likely result in lower costs to consumers along with the reduction in risk of service interruptions. This bill was ratified and made effective on July 18, 1990.

1991--Major legislation affecting the regulation of utilities:

(a) Extended Expiration Date of Utility Fuel Charge Adjustment. Chapter 129, House Bill 407, G.S. 62-133.2 will be repealed effective July 1, 1997. On July 1, 1983, and every two years thereafter, the Utilities Commission shall provide a report to the Joint Legislative Utility Review Committee summarizing the procedures conducted pursuant to G.S. 62-133.2 during the preceding two years and recommending whether this section should be continued, repealed or amended. This act was ratified on May 27, 1991.

(b) An Act to Repeal the Sunset Provision for the Utility Regulatory Fee Statute. Section 5, Chapter 787 of the 1989 Session Laws reads as rewritten: "This act shall become effective July 1,

1989, and shall apply to public utility North Carolina jurisdictional revenues earned on or after that date." This act was ratified and made effective on June 28, 1991. This act repealed the sunset provision of the regulatory fee originally scheduled to expire July 1, 1991.

(c) Exemption of cellular telephone service. Chapter 82, Senate Bill 551, is an act to permit the Utilities Commission to exempt cellular telephone service from regulation under Chapter 62. Nothing in this section shall be construed to diminish any other authority granted the Commission in this Chapter. This act was ratified on May 13, 1991.

(d) On July 8, 1991, the North Carolina General Assembly ratified House Bill 1039 Chapter 568 which provided for "the construction of facilities in and the extension of natural gas service to unserved areas in order to promote the public welfare throughout the State and to that end to authorize the creation of an expansion fund for each natural gas local distribution company (LDC) to be administered under the supervision of the North Carolina Utilities Commission." The expansion fund is to be used by a Local Distribution Company to construct natural gas facilities in areas within the company's franchised territory that otherwise would not be feasible for the company to construct and the sources of the funding will be: 1. refunds to LDC's from the company's suppliers of natural gas and transportation service, 2. expansion surcharges by the LDC's charges to customers purchasing natural gas or transportation services, and 3. other sources approved by the Commission.

(e) House Bill 83, Chapter 689, G. S. 62-302 (b)(2) percentage rate changed to 0.09% of each public utility's North Carolina jurisdictional revenues earned during each quarter. This bill was ratified on July 13, 1991, and made effective July 1, 1991.

1992--Major legislation affecting the regulation of utilities:

Public Utilities Regulatory Fee Rate Revised. Chapter 811, House Bill 945, reduced the percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) to 0.085% of each public utility's North

Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 1992. This bill was ratified on June 30, 1992, and made effective July 1, 1992.

1993--Major legislation affecting the regulation of utilities:

An Act to Exempt Campgrounds for Transients and Marinas, Which Resell Electricity From the Definition of a Public Utility. The term "Public Utility" shall not include electricity by campgrounds or marinas provided that they charge no more than the actual electricity supplied to it. The electricity used is measured by an individual metering device, with the rates prominently displayed and electricity sales are for occupants only. This bill was ratified and made effective on July 15, 1993.

1994--Major legislation affecting the regulation of utilities:

On July 29, 1995, HB 941 was ratified exempting mobile radio communication from public utility definition and from Commission jurisdiction.

1995--Major legislation affecting the regulation of utilities:

(a) Public Utilities Regulatory Fee Rate Revised. Chapter 178, House Bill 993, increased the percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) to 0.10% of each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 1995. This bill was ratified on June 5, 1995, and made effective July 1, 1995.

(b) On July 29, 1995, the North Carolina General Assembly ratified House Bill 941 Chapter 523 to make certain changes in Chapter 62 to comply with the Federal preemptive legislation. This enactment of legislation necessitates the revision by the Commission of certain of its Rules and Regulations as set forth in Chapter 1. Practice and Procedure, Chapter 2. Motor Carriers, and Chapter 4. Filing of Transportation Tariffs. This matter was brought about due to the January 1, 1995, Federal legislation which preempted the intrastate regulation of prices, routes, and services for the transportation of all property except household goods and the

transportation of passengers.

1996--Major legislation affecting the regulation of utilities:

(a) Public Utilities Regulatory Fee Rate Remains Same. Chapter 670, House Bill 1345 set the percentage rate for the public utility regulatory fee at 0.10% of each public utility's North Carolina jurisdictional revenues. This is the rate that was established in 1995. This bill was ratified on June 21, 1996.

(b) Chapter 673, House Bill 1172 was enacted to transfer the Rail Safety Section from the Utilities Commission to the Department of Transportation and directed the Secretary of Transportation to study the need for continuation of the rail safety inspection program. This act was ratified on June 21, 1996 and became effective July 1, 1996.

1997--Major legislation effecting the regulation of utilities:

(a) Senate Bill 727 was ratified on August 26, 1997. Part III. Public Utility Regulatory Fee sets the percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) as nine-hundredths percent (0.09%) of each public utility's North Carolina jurisdictional revenues each quarter that begins on or after July 1, 1997.

(b) Senate Bill 38. An Act to Establish the Study Commission on the Future of Electric Service in North Carolina. The 23 member Study Commission on the Future of Electric Service in North Carolina was created. Ratified April 22, 1997.

(c) House Bill 990. An Act to Exempt Certain Nonprofit and Consumer-Owned Water or Sewer Utilities and Certain Small Water or Sewer Utilities From Regulation by the Utilities Commission. Ratified August 19, 1997.

(d) House Bill 994. An Act to Allow Pay Telephone Providers to Obtain Line Access From Competitive Local Providers of Telephone Service and to Eliminate the Statutory Requirement That Line Access Rates be Set on a Measured Rate Basis. Ratified on June 9, 1997.

1998--Major legislation effecting the regulation of utilities:

(a) Senate Bill 1327. An Act to Preserve the Tax-Exempt Status for Piped Natural Gas Sold by Municipalities, to Make the Taxes on Other Sales of Piped Natural Gas More Uniform, to Adjust the Cities' Distribution of the Tax Proceeds Until June 30, 2000, to Direct the Revenue Laws Study Committee to Determine the Impact of the Tax on the Distribution to Cities, and to Direct the Utilities Commission to Study the Issue of Transportation Rates. Section 15. The Utilities Commission shall study the transportation rates charged by the local distribution companies to transport piped natural gas from the interstate pipeline to the consumer. Ratified June 30, 1998.

(b) House Bill 1328. An Act to Provide That a Franchised Natural Gas Distribution Company That is Not Providing Service to at Least Some Portion of Camden, Currituck, Dare, or Tyrrell Counties by July 1, 1998, Shall Lose Its Exclusive Franchise Rights to the County Not Being Served. This act applies only to the above mentioned counties and was ratified on June 16, 1998.

(c) House Bill 1094. An Act to Repeal Obsolete or Preempted Provisions of the General Statutes Affecting Railroads, to Recodify Certain Railroad Statutes, and to Make Conforming Changes and Clarifying Changes. Ratified August 26, 1998. Approved September 4, 1998.

(d) Senate Bill 1354. An Act to Authorize the Issuance of General Obligation Bonds of the State Subject to a Vote of the Qualified Voters of the State, to Address Statewide Critical Infrastructure Needs By Providing Funds (1) for Grants and Loans to Local Government Units for Water Supply Treatment Works, and Water Conservation and Water Reuse Projects and (2) for Grants, Loans, or Other Financing to Public or Private Entities for Construction of Natural Gas Facilities.

(b) Natural Gas Bonds. \$200,000,000 to provide grants, loans, or other financing to natural gas local distribution companies, persons seeking natural gas distribution franchises, State or local government agencies, or other entities for construction of natural gas facilities. Ratified September 3, 1998.

(e) Senate Bill 882. Section 126. G.S. 62-302(d) Unspecified Civil Penalty for Violating Safety Standards for Gas Pipeline Facilities. Maximum Amount of Penalty Not to Exceed the Maximum Amount if Penalty Had Been Imposed by Secretary of U.S. Department of Transportation Under 49 U.S.C. Approximately \$ 1679 (a) Forfeiture of \$1,000 by Public Utilities for Providing Unauthorized Services or For Failure to Provide Services as Authorized. Ratified on October 22, 1998. Approved October 31, 1998.

1999--Major legislation effecting the regulation of utilities:

(a) Senate DRS8542*-LL056(2.16) An Act to Provide For Reimbursement of Additional Expenses of the Commission of the Future of Electric Service in North Carolina From the Utilities Commission and Public Staff Fund. Section 1. Section 10.1 of S.L. 1997-483 rewritten to add fiscal years 1997-98, 1998-99, and 1999-2000. This act became effective July 1, 1999.

(b) Senate Bill 546. An Act to Authorize the Establishment of a Telecommunications Relay Service to Assist Deaf and Hearing Impaired Persons, Including Those Who Also Have Vision Impairment. Section 1. G.S. 62-157 was amended to include those who also have vision impairment. Ratified July 20, 1999.

(c) House Bill 1289. Section 1. The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is nine-hundredths percent (0.09%) of each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 1999. Section 2. The annual fee imposed on the North Carolina Electric Membership Corporation under G.S. 62-302(b1), S.L. 1999-180, for the 1999-2000 fiscal year is two hundred thousand dollars (\$200,000). Ratified July 20, 1999. Approved August 5, 1999.

(d) House Bill 613. Part VI.----Future of Electric Service Funding Continuation (H.B. 777-McComas; S.B. 266-Hoyle) Section 6.1. Section 10.1 of S.L. 1997-483 reads as rewritten: Notwithstanding G.S. 62-302(d), all expenses during the 1997-98, 1998-99, and 1999-2000 fiscal years of the Study Commission on the Future of Electric Service in North Carolina,

established in S.L. 1997-40, shall be reimbursed from funds in the Utilities Commission and Public Staff Fund. There is allocated initially one hundred thousand dollars (\$100,000) from the Utilities Commission and Public Staff Fund to the General Assembly for the purpose of enabling the Study Commission on the Future of Electric Service in North Carolina to organize and begin its work. Under the certification of the need for additional funds by the cochair of the Study Commission on the Future of Electric Service in North Carolina for the works of the Commission, the Utilities Commission shall transfer the additional funds from the Utilities Commission and Public Staff Fund to the General Assembly for that purpose. Effective June 30, 1999. Ratified July 21, 1999.

(e) House Bill 162. (Session Law 1999-456) An Act to Make Technical Corrections and Conforming Changes to the General Statutes as Recommended by the General Statutes Commission; and to Make Various Other Changes to the General Statutes and Session Laws. Section 17. G.S. 62-159(a) reads as rewritten: ("a") In order to facilitate the construction of facilities in and the extension of natural gas service to unserved areas, the Commission may provide funding through appropriations from the General Assembly or the proceeds of general obligation bonds as provided in this section to enter (i) an existing natural gas local distribution company; (ii) a person awarded a new franchise; or (iii) a gas district for the construction of natural gas facilities that it otherwise would not be economically feasible for the company, person, or gas district to construct."

(f) Section 18. G.S. 62A-25(d) reads as rewritten: "(d) In no event shall any invoice for reimbursement be approved for payment of costs of any CMRS provider exceeding one hundred twenty-five percent (125%) of the service charges remitted by such CMRS provider unless prior approval of such expenditures is received from the Board. If the total amount of invoices submitted to the Board and approved for payment exceeds the amount in the Wireless Fund in any month, CMRS providers that have invoices approved for payment shall receive a pro rata share of the Wireless Fund, based on the relative amount of their approved invoices available that month, and the balance of the payments will be carried over to the following month or months and

shall include interest at a rate equal to the rate earned by the Wireless Fund until all of the approved payments are made." Ratified July 21, 1999. Approved August 13, 1999.

2000 - Major legislation effecting the regulation of utilities:

House Bill 1493 (Session Law 2000-161) An Act to Provide Consumers With Control Over Telephone Solicitation Calls to Their Homes. Ratified July 10, 2000. Approved August 2, 2000.

2001 - Major legislation effecting the regulation of utilities:

House Bill 232. (Session Law 2001-427) Regulatory Fee for Utilities Commission Section 1.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-62-302(b)(2) is one-tenth percent (0.1%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2001. Section 2.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2001-2002 fiscal year is two hundred thousand dollars (\$200,000). Section 2.(c) This section becomes effective July 1, 2001. Ratified September 20, 2001.

2002 - Major legislation effecting the regulation of utilities:

(a) Senate Bill 641. (Session Law 2002-14) An Act Authorizing the North Carolina Utilities Commission to Adopt Rules to Expand the Definition of Universal Service to Include Statewide Internet Access and Other Technological Telecommunications Advances. Ratified July 8, 2002.

(b) Senate Bill 1078. (Session Law 2002-4) an Act to Improve Air Quality in the State by Imposing Limits on the Emission of Certain Pollutants From Certain Facilities That Burn Coal to Generate Electricity and to Provide for Recovery by Electric Utilities of the Costs of Achieving Compliance With Those Limits. Ratified June 19, 2002.

2003 - Major legislation effecting the regulation of utilities:

(a) House Bill 913 (Session Law 2003-99) An Act Authorizing the North Carolina Utilities Commission to Determine a Time in Which Final Rules Concerning the Designation of a Universal Service Provider for Telephone Service Shall Be Adopted. Ratified May 22, 2003.

(b) Senate Bill 814 (Session law 2003-91) An Act to Clarify the Law Regarding Competitive and Deregulated Offerings of Telecommunications Services. Ratified May 19, 2003.

(c) Senate Bill 939. An Act to Extend the Surcharge for the Telecommunications Relay Service to Include Wireless Communications. Ratified July 10, 2003; Effective January 1, 2004.

(d) House Bill 397. Regulatory Fee for Utilities Commission. Section 32.1(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve hundredths of a percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2003.

FIGURE NO. 1-3
NORTH CAROLINA UTILITIES COMMISSION
RECEIPTS AND EXPENDITURES (Operating Budget)
Fiscal Year Ended June 30, 2002

Source	Commission Staff	Public Staff	Total
Fees Collected by the Commission:			
Reg. Fee Fund Transfer into Operating Budget	5,730,228	5,744,916	11,475,144
Court Reporter Fees	29,824		29,824
Office of Chief Clerk:			
Duplicating Services	44,543	454	44,997
Filing Fees	53,465		53,465
Publication Sales	4,648		4,648
Miscellaneous Revenues	104,934	145	105,079
Federal Funds:			
US Gas Safety Program	400,680		400,680
TOTAL RECEIPTS	6,368,322	5,745,515	12,113,837
Expenditures:			
Salaries and Wages	3,290,402	4,269,582	7,559,984
Fringe Benefits	642,135	843,742	1,485,877
Legal, Dept. of Admin. & Consulting Fees	814,715	76,552	891,267
Repairs of Building & Equipment	4,259	1,715	5,974
Service & Maintenance Contracts	80,084	3,002	83,086
Rent - Building, Offices & Equipment	369,310	181,492	550,802
Travel	76,810	29,525	106,335
Registration Fees	8,373	5,325	13,698
Telephone, Postage, Printing & Copying	121,663	42,615	164,278
Data Processing Service	1,165	3,320	4,485
Insurance	1,374	652	2,026
Employee Educational Expenses	6,781	8,341	15,122
Materials and Supplies	22,413	12,954	35,367
Office Furniture, Equipment, Books	27,521	15,241	42,762
Data Processing Equipment & Software	69,613	84,481	154,094
Dues & Subscriptions	96,541	24,275	120,816
Fine/Penalty/Forfeitures Transfer	48,074	0	48,074
Commerce Administrative Costs Transfer	106,642	136,545	243,187
Aids and Grants - Gas Pipeline	249,107	0	249,107
Other Services and Expenses	35,518	5,557	41,075
TOTAL EXPENDITURES	6,072,500	5,744,916	11,817,416
Carry forward funds:	295,822	599	296,421
FUNDED POSITIONS	63	85	148

FIGURE NO. 1-3
NORTH CAROLINA UTILITIES COMMISSION
RECEIPTS AND EXPENDITURES (Operating Budget)
Fiscal Year Ended June 30, 2003

<u>Source</u>	<u>Commission Staff</u>	<u>Public Staff</u>	<u>Total</u>
<u>Fees Collected by the Commission:</u>			
Reg. Fee Fund Transfer into Operating Budget*	4,246,784	5,925,893	10,172,677
Court Reporter Fees	8,701		8,701
<u>Office of Chief Clerk:</u>			
Duplicating Services	30,844	1,254	32,098
Filing Fees	50,530		50,530
Publication Sales	8,985		8,985
Miscellaneous Revenues	826,736	409	827,145
<u>Federal Funds:</u>			
US Gas Safety Program	145,823		145,823
TOTAL RECEIPTS	5,318,403	5,927,556	11,245,959
<u>Expenditures:</u>			
Salaries and Wages	3,492,590	4,636,983	8,129,573
Fringe Benefits	515,899	687,550	1,203,449
Legal, Dept. of Admin. & Consulting Fees	445,694	26,209	471,903
Repairs of Building & Equipment	7,899	490	8,389
Service & Maintenance Contracts	84,583	1,690	86,273
Rent - Building, Offices & Equipment	338,570	262,381	600,951
Travel	110,644	45,476	156,120
Registration Fees	15,130	10,314	25,444
Telephone, Postage, Printing & Copying	85,081	46,365	131,446
Data Processing Service	920	1,748	2,668
Insurance	1,043	505	1,548
Employee Educational Expenses	6,237	11,361	17,598
Materials and Supplies	22,845	13,481	36,326
Office Furniture, Equipment, Books	87,109	10,731	97,840
Data Processing Equipment & Software	78,180	14,658	92,838
Dues & Subscriptions	97,568	28,594	126,162
Fine/Penalty/Forfeitures Transfer	693,173	0	693,173
Commerce Administrative Costs Transfer	117,833	136,075	253,908
Aids and Grants - Gas Pipeline	19,500	0	19,500
Other Services and Expenses	7,861	6,907	14,768
TOTAL EXPENDITURES	6,228,359	5,941,518	12,169,877
Carry forward funds:	(857,376)	(13,962)	(923,918)
FUNDED POSITIONS	63	85	148

FIGURE NO. 1-3
NORTH CAROLINA UTILITIES COMMISSION
RECEIPTS AND EXPENDITURES (Operating Budget)
Fiscal Year Ended June 30, 2004

<u>Source</u>	<u>Commission Staff</u>	<u>Public Staff</u>	<u>Total</u>
<u>Fees Collected by the Commission:</u>			
Reg. Fee Fund Transfer into Operating Budget*	5,032,268	6,300,000	11,332,268
Court Reporter Fees	21,243		21,243
<u>Office of Chief Clerk:</u>			
Duplicating Services	26,076	64	26,140
Filing Fees	44,443		44,443
Publication Sales	1,076		1,076
Miscellaneous Revenues	387,772	561	388,333
<u>Federal Funds:</u>			
US Gas Safety Program	237,971		237,971
TOTAL RECEIPTS	5,750,849	6,300,625	12,051,474
<u>Expenditures:</u>			
Salaries and Wages	3,529,093	4,660,466	8,189,559
Fringe Benefits	656,009	872,755	1,528,764
Legal, Dept. of Admin. & Consulting Fees	(2,100)	17,584	15,484
Repairs of Building & Equipment	10,355	2,057	12,412
Service & Maintenance Contracts	87,679	1,690	89,369
Rent - Building, Offices & Equipment	345,662	261,236	606,898
Travel	107,641	40,970	148,611
Registration Fees	17,684	12,235	29,919
Telephone, Postage, Printing & Copying	93,118	44,149	137,267
Data Processing Service	815		815
Insurance	161	486	647
Employee Educational Expenses	10,225	8,814	19,039
Materials and Supplies	26,891	12,596	39,487
Office Furniture, Equipment, Books	49,672	14,067	63,739
Data Processing Equipment & Software	27,247	159,322	186,569
Dues & Subscriptions	97,986	23,113	121,099
Fine/Penalty/Forfeitures Transfer	500,619		500,619
Commerce Administrative Costs Transfer	115,884	136,075	251,959
Aids and Grants - Gas Pipeline	7,404		7,404
Other Services and Expenses	20,539	6,933	27,472
TOTAL EXPENDITURES	5,702,584	6,274,548	11,977,132
Carry forward funds:	48,265	26,077	74,342
FUNDED POSITIONS	63	85	148

II. Selected Commission Activities Through December 2003

A. GENERAL

Public Involvement

The Commission continued to make all activities open for participation by the public and other interested parties. The table below shows the number of formal hearings held in Raleigh and in the service areas of the utilities involved; many of these hearings were held in the evening to accommodate those who could not attend daytime hearings.

	Year Ended December 31			
	2000	2001	2002	2003
Total Formal Hearings Held	129	109	101	70
Number of Hearings Held Away From Raleigh, in Utility Service Areas	39	18	18	17
Percent of Total Hearings Held Away From Raleigh	30%	17%	18%	24%

The primary reason for holding hearings in the service areas of the utilities involved in the hearings is to make it easier for the local consumers and general public to attend and to offer testimony if they so choose. Attendance at such hearings provides a broader knowledge of the scope and complexities of issues which the Commission, the Public Staff, and all other participants must deal with.

Advance public notice is given for all hearings of general interest and especially rate case hearings. News releases are made of important Commission decisions and activities. All Commission weekly conferences (Monday mornings generally) are open to the public as a spectator or participant and events are now posted to the Commission's web site.

For a summary of Commission proceedings docketed and heard in 2003 see Figure No. 2-3.

B. ELECTRIC

Least Cost Integrated Resource Planning (IRP)

The General Statutes of North Carolina require that the Commission analyze the probable growth in the use of electricity and the long-range need for future generating capacity for North Carolina. (62-110.1). Analysis of the long range needs for future electric generating capacity pursuant to G.S. 62-110.1 is included in Rules R8-60 through R8-62 of the Utilities Commission rules as a part of the Least Cost Integrated Resource Planning process. The rules define an overall framework within which the least cost integrated resource planning process will take place in North Carolina. Least Cost Integrated Resource Planning is intended to identify those electric resource options which can be most cost-effective for the ratepayers consistent with adequate, reliable service.

On April 29, 1998, the Commission issued its Order Adopting Revised Rules in Docket No. E-100, Sub 78A, in which it repealed Rules R8-56 through R8-59, and revised Rules R8-60 through R8-62 governing the IRP process. The new rules shortened the planning horizon to ten years, and they streamlined the review process for the IRPs while retaining the filing of an annual plan by each utility in sufficient detail to allow the Commission to continue to meet its statutory responsibilities under G.S. 62-110.1(c) and G.S. 62-2(3a).

On or about September 1, 2001, the latest round of IRP filings were made under the revised rules by Progress, Duke, NC Power, and NCEMC in Docket No. E-100, Sub 93. On March 28, 2002, the Commission issued its Order Approving Integrated Resource Plans in that docket, in which the Commission: (1) recognized the value of cost-effective Demand-Side Management (DSM) programs, and concluded that it should continue to encourage the appropriate application of DSM options to the total resource mix of each utility, (2) concluded that future IRP filings by all utilities should continue to include a detailed explanation of the basis for, and a justification for the adequacy and appropriateness of, the level of the respective utility's projected reserve margins, and (3) stated that future IRP filings by all utilities should continue to include a discussion of the adequacy

of the respective utility’s transmission systems (161 kV and above).

Load Forecasts

Forecasting future electric load growth for many years into the future is an imprecise science at best. Virtually all of the forecasting tools commonly used today assume that certain historical trends or relationships will continue into the future, and that historical correlations give meaningful clues to future behavior. As a result, any shift in such correlations or relationships can introduce significant errors into the forecast. A prime example of such a shift in historical relationships was the shift in energy usage patterns following the dramatic increase in fuel oil prices during the mid 1970’s, an event which rendered virtually all prior forecasts invalid.

Progress, Duke, and N.C. Power each utilize generally accepted forecasting procedures. Although their specific forecasting models are different, the econometric techniques employed by each utility are widely used for projecting future trends. Each of the models requires the analysis of large amounts of data and the selection of a broad range of variables and statistical techniques.

The table below illustrates the systemwide average annual rates of growth in energy and peak loads in North Carolina which are currently anticipated by Progress, Duke and N.C. Power.

Company	% Annual Growth Rates During (2002-2011)		
	Summer	Winter	Energy
Progress	1.4%	2.0%	2.7%
Duke	2.0%	1.6%	2.3%
N.C. Power	1.1%	1.0%	1.4%

The current load forecasts approved by the Commission are based in large part on the premise that conservation, load management and emerging alternative energy resources represent permanent changes in the approach of society toward the use of energy. However, uncertainties concerning the timing and predictability of the various demand reduction techniques under consideration make it necessary to allow flexibility in the planning for generation capacity expansion to match the forecasts.

DSM resources, including conservation

and load management measures, play a vital role in meeting energy and demand requirements placed on the electric systems by controlling future loads. Progress, Duke, and N.C. Power have implemented programs such as bill credits for interruptible loads, cash incentives and/or low interest loans to encourage the installation of higher efficiency equipment and special rate designs. These programs are on a voluntary basis and generally are intended to lower the participating customers’ electric bills while reducing the overall electricity costs to the utility system.

C. CONSUMER POCKETBOOK ISSUES

**1. General Rate Case Decisions
1980-2003**

A summary of the Commission decisions in general rate cases for the years 1980 through December 31, 2003, for the electric, gas, and telephone groups shows that 55.0% of the amount requested has been granted. Broken down by groups the amounts granted were electric--55.9%; gas--50.4%; and telephone--53.5%. See Figure No. 2-2 for yearly totals and the progression of amounts requested and granted during this period.

Many factors such as interest rates, quality of service, cost of fuel, availability of gas supplies, future demands for utility service and utility managerial efficiency contribute to the final decisions reached by Commissioners in general rate case decisions. All of these factors are thoroughly investigated and evaluated by the Public Staff of the Commission for each rate case and then presented to the Commission for consideration as to treatment in the case. Additionally, the Company and intervenors representing various groups and viewpoints offer expert testimony and their counsel engages in extensive cross examination of all pertinent testimony presented during the hearings. Some facts, however, lie beyond the control of the Commission and can account for even larger increases than the rate cases themselves. Cost of gas to the gas companies from the State’s only major supplier, Transcontinental Gas Pipeline Corporation (TRANSCO) requires an adjustment to consumers’ gas rates, but this type of adjustment is made through a staff conference rather than through a general rate case. Fuel consumed for the generation of electricity was

adjusted at intervals through regular open conference and modified several times over the years until the current procedure of annual filings for rate adjustments for fuel cost was adopted on May 1, 1984. For both gas companies and electric companies, the price, or cost adjustment to the ultimate consumer is not necessarily the result of just general rate cases. In fact, these cost adjustments can have as much or an even greater effect on the cost of services to the ultimate consumer than any other aspect of the industry.

2. N. C. Utility Rates vs. Consumer Price Index (CPI)

The Consumer Price Index for All Urban Consumers (CPI-U) reflects the average change in the retail prices of a fairly broad but select "market basket" of consumer goods and services. It has been the most popular index because it is reported monthly as opposed to the quarterly publication of the Gross National Product Deflator, and it is not revised after its initial publication. The CPI-U increased 1.58% from 530.4 in 2001 to 538.8 in 2002.

The North Carolina residential customer usage of kWhs of electricity increased by .39% from 2001 to 2002. The national average residential kWh cost in 2002 was 8.43 cents while the North Carolina average was 7.77 cents. The N.C. residential usage has consistently exceeded the national average residential usage by approximately 30%. N.C.'s higher usage is partially due to the North Carolina rates per kWh being lower than the national average.

The residential cost for a dekatherm of natural gas increased 28.5% in 2001 over 2000 and decreased 24.7% from 2001 to 2002. Figure No. 2-1 shows the electric, gas, and telephone utility costs compared to the CPI-U for the years of 1987 through 1997 and 1998 to 2002.

D. REGULATORY FEES

On August 12, 1989, the General Assembly ratified Senate Bill 1320 entitled "An Act to Establish Regulatory Fees for Public Utilities to Defray the Cost to the Utilities Commission and the Public Staff of Regulating Public Utilities in the Interest of the Public." Senate Bill 1320 amended Article 14 of Chapter 62 of the General Statutes by adding a new section, G.S. 62-302, entitled "Regulatory Fee." This act became effective on July 1, 1989, and

applies to North Carolina jurisdictional revenues earned by public utilities on and after that date. For the 1995-96 and 1996-97 fiscal years, the fee was set at .10% of each public utility's North Carolina jurisdictional revenues for each calendar quarter or \$25.00 per fiscal year, whichever is greater. This increase in the rate from .085% in 1994-95 resulted partly because of the exemption of a large portion of the motor freight industry. The percentage rate may not exceed the amount necessary to generate funds sufficient to defray the estimated cost of the operations of the Commission and the Public Staff for a period of one fiscal year. The total fee imposed on the public utilities may not exceed 0.25%. The fee is imposed on a quarterly basis and is due approximately 45 days after the end of each calendar quarter. The fee rate for the 1997-98 fiscal year was set at .09%. As of December 31, 1997, the total regulatory fees collected was \$67,771,050.02. The fee rate for the 1998-99 and 1999-2000 fiscal years remained at .09%, but increased to .10% for the fiscal years 2000-2001 and 2001-2002. The total regulatory fee collected at December 31, 2000, was \$94,432,136.58 and at December 31, 2001, was \$104,452,074.14. The total fees collected as of July 1, 2002, was \$109,538,721.53. As of July 1, 2003, the total amount of regulatory fee collected was \$120,361,765.42. The fee rate for the fiscal year 2003-2004 was increased to .0012%.

FIGURE NO. 2-1

North Carolina Utility Rates vs. Consumer Price Index (CPI)

Year Ended December 31	Average Residential Electric Rates Per kWh (Cents)	Average Residential Gas Rates Per Dekatherm (\$)	Average Monthly Telephone Bill For Local Service (All Customers) (\$)	Consumer Price Index All Urban Customers
1987	7.31	\$6.54	\$21.94	340.4
1988	7.30	\$6.14	\$21.06	354.3
1989	7.41	\$6.41	\$21.61	371.3
1990	7.55	\$6.00	\$22.61	386.1
1991	7.58	\$6.08	\$23.00	408.0
1992	7.71	\$6.32	\$23.83	420.3
1993	7.74	\$6.80	\$23.40	432.7
1994	7.58	\$7.10	\$23.10	444.0
1995	7.61	\$6.77	\$24.35	456.5
1996	7.55	\$7.35	\$25.81	469.9
1997	7.61	\$8.71	\$29.01	480.9
1987-1997 % Change	4.10%	33.18%	32.22%	41.27%
1998	7.62	\$8.48	\$29.76	488.3
1999	7.61	\$8.07	\$31.19	496.9
2000	7.61	\$9.23	\$32.29	515.6
2001	7.74	\$11.86	\$33.37	530.4
2002	7.77	\$8.93	\$32.50	538.8
2001-2002 % Change	0.39%	-24.70%	-2.61%	1.58%

This figure is a composite of the four major North Carolina electric companies, four Class A North Carolina gas companies, and the largest North Carolina telephone companies.

Figure No. 2-2
Electric, Gas & Telephone General Rate Case Data
Amounts Requested and Granted (000's) for the Calendar Years 1980-2003

Electric	Requested	Granted	% Granted	Gas	Requested	Granted	% Granted
1980	\$238,709	\$172,625	72.3	1980	\$1,284	\$1,216	94.7
1981	379,813	299,200	78.8	1981	8,801	5,610	63.7
1982	382,009	80,244	21.0	1982	31,397	23,615	75.2
1983	298,072	186,919	62.7	1983	13,615	3,057	22.5
1984	364,717	195,541	53.6	1984	0	0	0.0
1985	292,763	157,671	53.9	1985	19,744	15,049	76.2
1986	236,455	133,080	56.3	1986	13,701	8,393	61.3
1987	173,351	92,467	53.3	1987	357	244	68.3
1988	202,957	134,819	66.4	1988	9,616	6,248	65.0
1989	0	0	0.0	1989	7,305	5,412	74.1
Sub Total	\$2,568,846	\$1,452,566	56.5	Sub Total	\$98,515	\$63,432	64.4
1990	\$0	\$0	0.0	1990	\$0	\$0	0.0
1991	248,148	120,361	48.5	1991	43,328	17,898	41.3
1992	17	15	88.2	1992	0	0	0.0
1993	27,377	14,986	54.7	1993	391	316	80.8
1994	0	0	0.0	1994	34,753	15,963	45.9
1995	0	0	0.0	1995	5,446	4,590	84.3
1996	5,214	4,620	88.6	1996	25,355	5,820	23.0
1997	403	403	100.0	1997	0	0	0.0
1998	0	0	0.0	1998	23,445	12,395	52.9
1999	0	0	0.0	1999	0	0	0.0
2000	0	0	0.0	2000	19,007	6,000	31.6
2001	0	0	0.0	2001	0	0	0.0
2002	0	0	0.0	2002	28,182	13,889	49.3
2003	0	0	0.0	2003	46,899	21,008	44.8
Sub Total	\$281,159	\$140,385	49.9	Sub Total	\$179,907	\$76,871	42.7
Grand Total	\$2,850,005	\$1,592,951	55.9	Grand Total	\$278,422	\$140,303	50.4

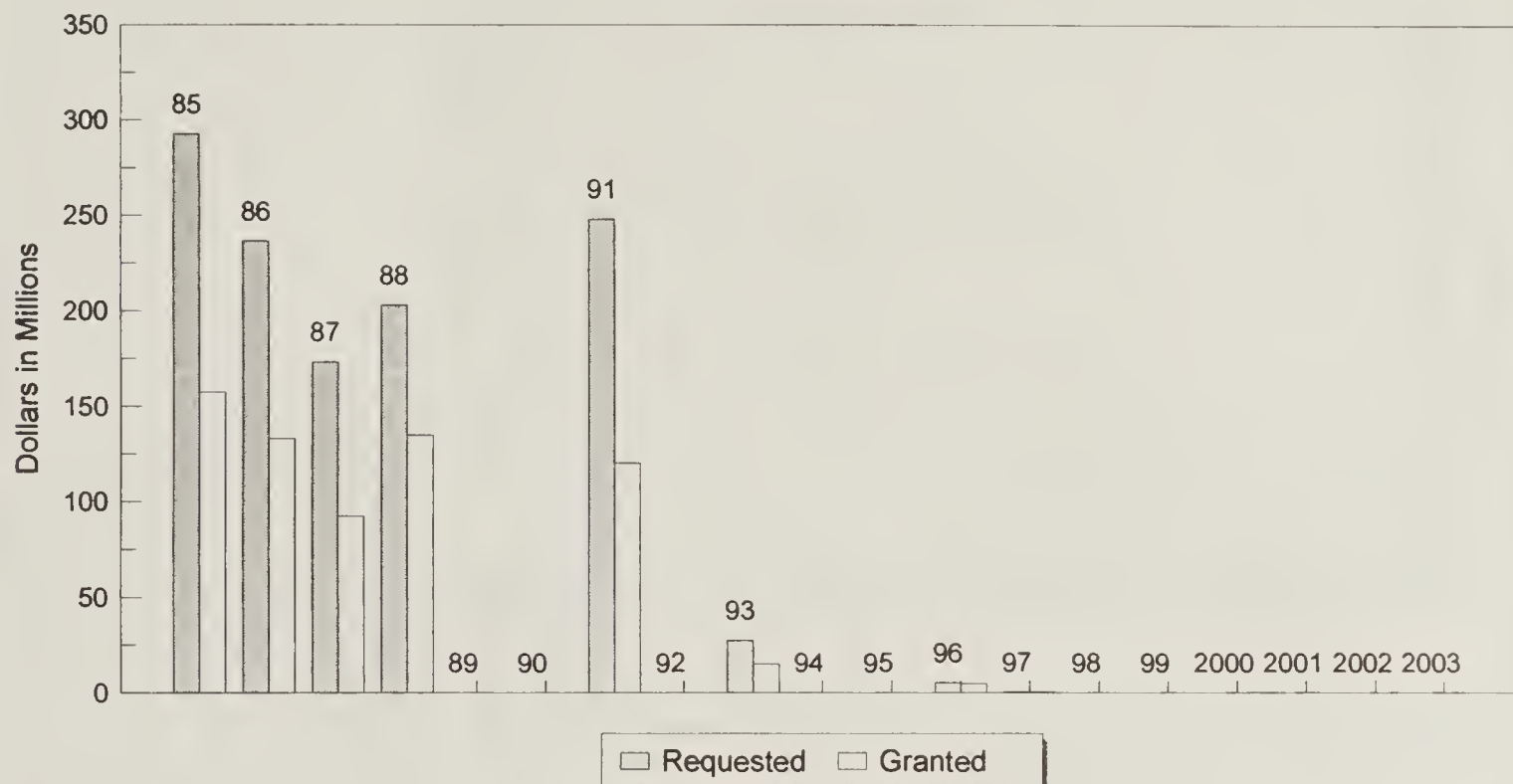
Telephone	Requested	Granted	% Granted	Electric, Gas & Telephone	Requested	Granted	% Granted
1980	\$45,282	\$25,489	56.3	1980	\$285,275	\$199,330	69.9
1981	116,382	74,526	64.0	1981	504,996	379,336	75.1
1982	190,393	114,383	60.1	1982	603,799	218,242	36.1
1983	177,407	67,559	38.1	1983	489,094	257,535	52.7
1984 (A)	104,105	56,757	54.5	1984	468,822	252,298	53.8
1985	2,432	879	36.1	1985	314,939	173,599	55.1
1986	11,862	7,077	59.7	1986	262,018	148,550	56.7
1987	712	355	49.9	1987	174,420	93,066	53.4
1988	0	0	0.0	1988	212,573	141,067	66.4
1989	0	0	0.0	1989	7,305	5,412	74.1
Sub Total	\$648,575	\$347,025	53.5	Sub Total	\$3,323,241	\$1,868,435	56.2
1990	\$0	\$0	0.0	1990	\$0	\$0	0.0
1991	1,313	332	25.3	1991	292,789	138,591	0.0
1992	240	168	70.0	1992	257	183	71.2
1993	159	120	75.5	1993	27,927	15,422	55.2
1994	0	0	0.0	1994	34,753	15,963	45.9
1995	0	0	0.0	1995	5,446	4,590	84.3
1996	0	0	0.0	1996	30,569	10,440	34.2
1997	0	0	0.0	1997	403	403	100.0
1998	0	0	0.0	1998	23,445	12,395	52.9
1999	0	0	0.0	1999	0	0	0.0
2000	0	0	0.0	2000	19,007	6,000	31.6
2001	0	0	0.0	2001	0	0	0.0
2002	0	0	0.0	2002	28,182	13,889	49.3
2003	0	0	0.0	2003	46,899	21,008	44.8
Sub Total	\$1,712	\$620	36.2	Sub Total	\$509,677	\$238,884	46.9
Grand Total	\$650,287	\$347,645	53.5	Grand Total	\$3,832,918	\$2,107,319	55.0

(A) These figures include an amount (\$4,781,000) of toll revenues from the American Telephone & Telegraph Company toll settlement hearing (Docket No. P-100, Sub 69, dated 9-14-84).

Notes: There were rate increases heard in 1990, however, no decision was made in any of these cases until 1991. In the amounts requested and granted columns, the final amounts requested from the utility companies are listed

Figure No. 2-2 Continued

Electric:



Gas:

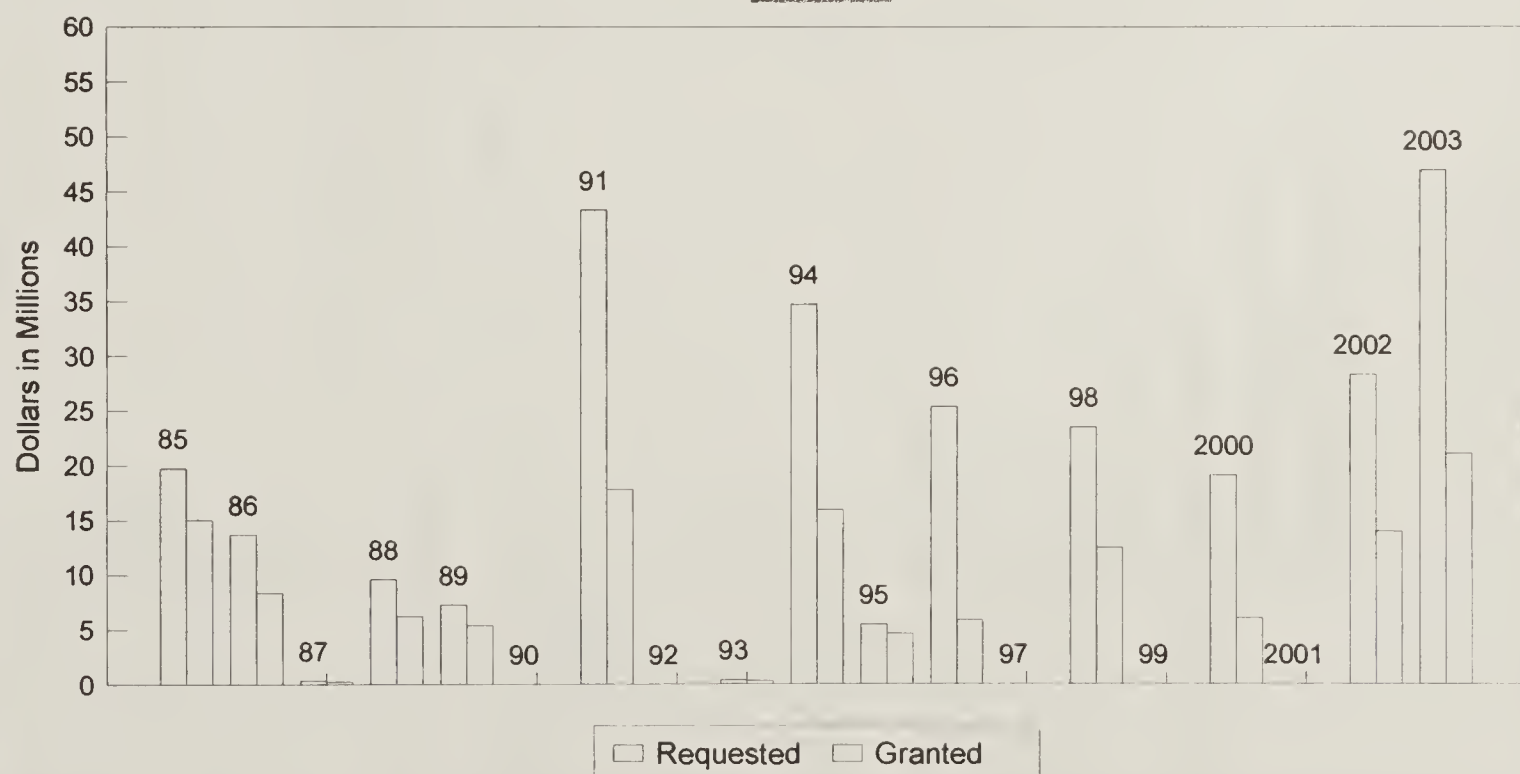
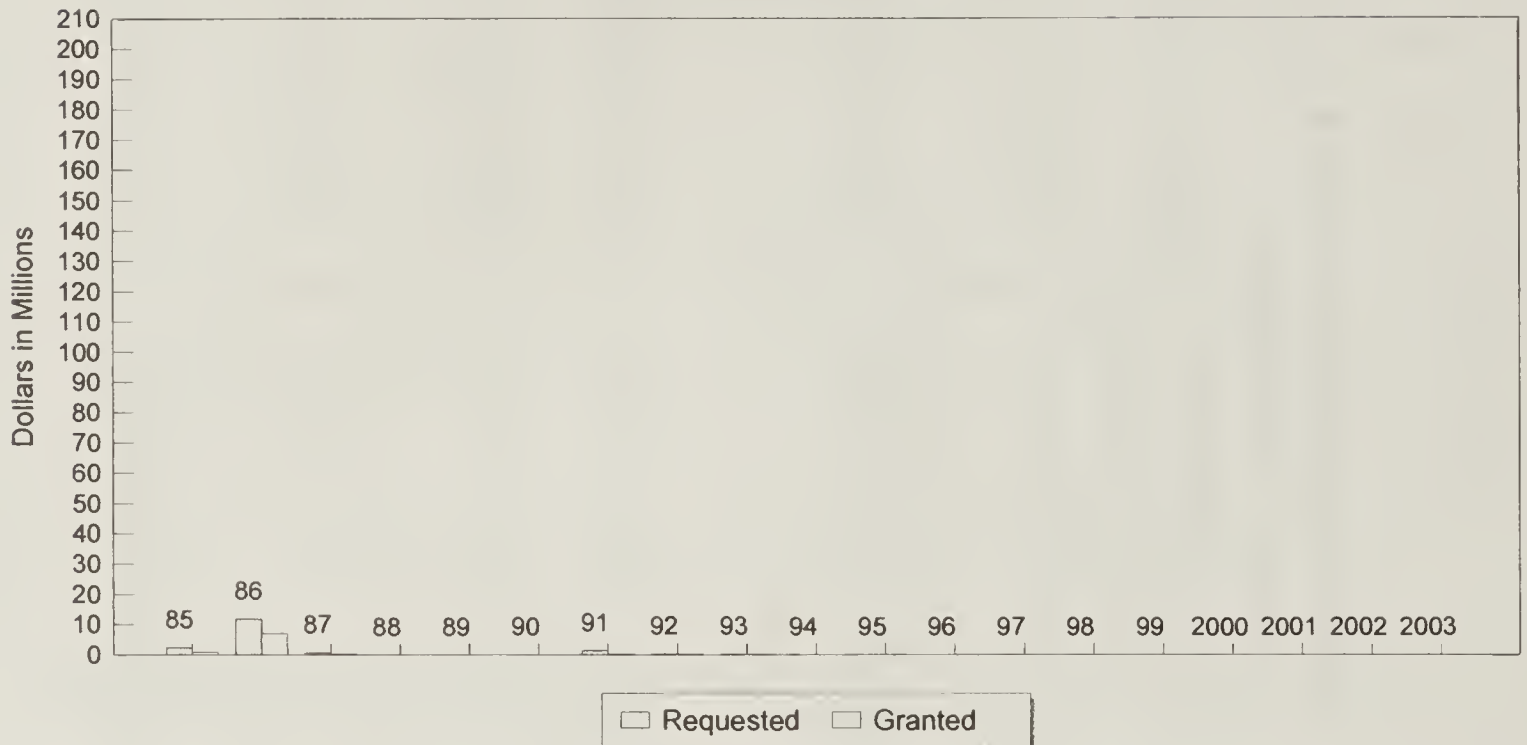


Figure No. 2-2 Continued

Telephone:



Electric, Gas & Telephone:

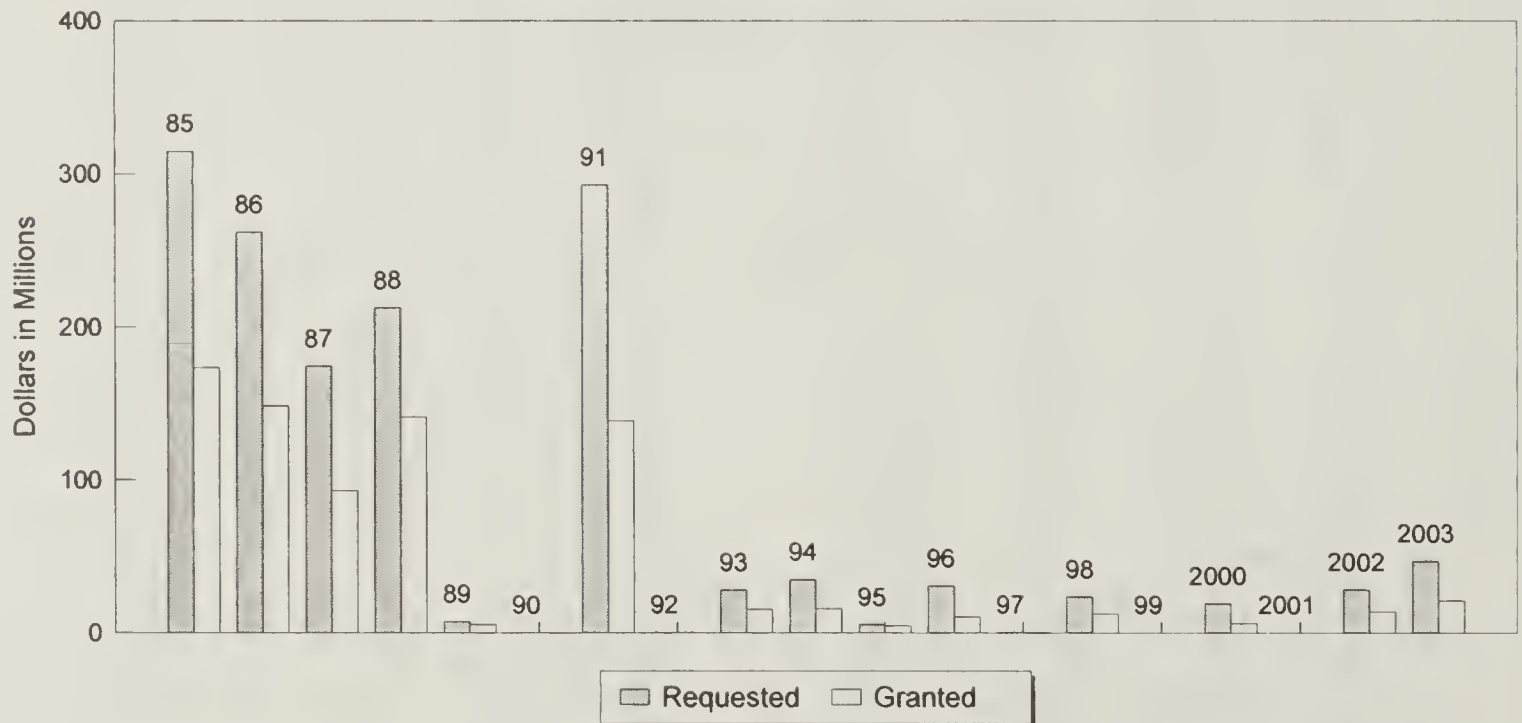


FIGURE NO. 2-3

TOTAL VOLUME OF PROCEEDINGS BROUGHT BEFORE THE COMMISSION
DURING THE CALENDAR YEAR ENDED DECEMBER 31, 2003

DESCRIPTION	BUSES	ELECTRIC	GAS	TELEPHONE	TRUCKS	WATER & SEWER	GEN. & MISCELL.	GRAND TOTALS
Total Proceedings Before Commission	3	174	106	849	138	547	26	1,843
Disposition of Proceedings								
1. Formal hearings held with orders to follow	0	17	8	7	12	23	3	70
2. Conferences with informal hearings	3	157	98	842	126	524	23	1,773
Total Proceedings Accounted For	3	174	106	849	138	547	26	1,843
Percent of Grand Total	0.16%	9.44%	5.75%	46.07%	7.49%	29.68%	1.41%	100.00%
Number of Certificates Issued During 2003	0	0	0	136 *	62	111	6	315
Number of Certificates Canceled During 2003	0	0	0	83 **	7	25	0	115
Number of Dockets Open End of 2003	0	41	32	176	17	137	2	405
Number of Dockets Closed During 2003	2	79	65	567	113	350	9	1,185
Number of Dockets Carried Forward from 2002	1	91	47	308	24	132	14	617

* 100 (Phones); 36 (PSP)

** 45 (Phones); 38 (PSP)

III. Summary of the Commission Activities and Operation - 2002 and Prior Years

A. OVERVIEW OF SIZE, OPERATING RESULTS, AND NUMBER OF COMPANIES REGULATED

At December 31, 2002, there were 1,369 companies regulated by the North Carolina Utilities Commission as compared with 1,440 in 2001. In addition, 79 municipal utility systems, while not regulated by the Commission, were required to file annual reports, making a grand total of 1,448 utilities regulated or required to file annual reports as of December 31, 2002, and 1,519 in 2001. Many changes take place annually in various utility groups since new companies are being certified and others are being deleted because of sales, mergers, cancellations, deregulation, and abandonments. See Figure No. 3-2.

Figure No. 3-1 shows changes from 2001 to 2002 in the major regulated electric, gas, and telephone companies' plant investment, total capitalization, and total customers served or access lines in service.

B. COMMISSION CASE LOAD: FORMAL AND INFORMAL HEARINGS

In addition to the multiplicity of decisions made informally by the Commission in conferences with its staff and interested parties, the Commission maintains a full docket of formal and semiformal hearings and conferences. There are many small complaints and inquiries disposed of daily by individual Commissioners and individual staff heads (both Commission and Public Staff). These complaints are handled through discussions with utility customers, executives, representatives, organizations, and associations.

During 2003 there were 70 formal hearings and 1,773 informal proceedings for a total of 1,843; while in 2002 there were 101 formal hearings and 1,723 informal proceedings for a total of 1,824 proceedings. The proceedings required extensive time and effort by personnel of both the Commission and Public Staff and even more time in actual public hearings.

The number of pages transcribed by the court reporters for the years 1975 through 2002 are as follows:

Year	No. of Pages Transcribed By	
	Commission Reporters	Outside Reporters
1975	27,938	
1976	23,942	
1977	30,056	
1978	34,057	
1979	28,442	
1980	29,829	
1981	34,205	
1982	25,447	
1983	28,191	
1984	27,737	
1985	23,051	6,090
1986	20,510	1,755
1987	16,716	2,634
1988	21,611	4,767
1989	14,003	0
1990	18,803	1,216
1991	22,719	2,268
1992	15,589	198
1993	18,534	0
1994	17,317	0
1995	15,578	0
1996	12,222	6,555
1997	11,998	1,275
1998	13,566	2,855
1999	12,829	1,823
2000	11,858	0
2001	7,362	4,673
2002	7,214	370

The number of full-time court reporters varies.

Commission hearings continued to generate keen public interest in 2002. The Attorney General represented some segments of the public sector who wished to intervene, while others provided their own legal counsel. In addition, the Public Staff intervened in most cases and made their recommendations to the Commissioners.

Complaint Activity

Another important facet of the Commission and Public Staff workload involves the handling of customer complaints dealing with all aspects of utility operations and services. The vast majority of these complaints are settled without becoming a docketed item and going into formal hearing proceedings. The Public Staff's Consumer Services Division investigated and resolved a majority of these complaints. To illustrate the magnitude of this phase of the Utilities Commission workload, the number of complaints received and handled in 1997 was 8,505 complaints, and this volume increased to 11,024 in 1998, 11,345 in 1999, 11,251 in 2000, 10,645 in 2001, 10,807 in 2002, and 10,840 in 2003.

C. GENERAL IMPACT OF THE REGULATED UTILITIES ON THE ECONOMY OF NORTH CAROLINA IN 2002

The regulated utility companies made significant contributions to the economy of the State during 2002. Figure Nos. 3-3, 3-4, and 3-5 portray the magnitude of the contributions in chart and table form. In 2002 employment by the utilities showed a decrease of 2% from the previous year. Salaries and wages paid to North Carolina employees increased 7.0% during this same period.

State income, franchise, and property taxes paid by the regulated sector of the State's business community continued to be substantial. Some data was unavailable for the telephone and gas industries so the percentage of the state totals is not comparable for 2002.

In 2002, gross operating revenues increased for electric utilities and decreased for the telephone and gas utilities. Figure No. 3-1 depicts this growth with the four Class A electric companies showing an increase of 4.6% in 2002 compared to 2001. The telephone companies gross operating revenues decreased 5.8%, and the gas companies decreased 19.0%.

Investment in gross plant allocated to North Carolina by the electric, gas, and telephone utility companies continued to increase over the previous year. There was a 4.6% increase in the 2002 total gross plant allocated to North Carolina

compared to the previous year, making a total of over \$40 billion as of December 31, 2002 (\$40,162,656,000). The increased electric and gas plant investment will serve the increasing number of electric and gas customers which numbered 4,060,390 in 2002 compared to 3,979,716 in 2001. In 2002 there were 4,630,465 telephone access lines reported compared to 4,806,709 in 2001.

FIGURE NO. 3-1

HIGHLIGHTS OF ACTIVITIES
ELECTRIC, GAS & TELEPHONE UTILITIES
2002 VS. 2001
(Dollars in Thousands)

HIGHLIGHTS OF ACTIVITIES	ELECTRIC - MAJOR COMPANIES			GAS - MAJOR COMPANIES			TELEPHONE - ALL CLASSES		
	2001	2002	% Change	2001	2002	% Change	2001	2002	% Change
Revenues and Expenses (N.C. Only):									
Operating Revenues	\$6,708,447	\$7,016,693	4.6	\$1,308,947	\$1,060,653	(19.0)	\$3,634,541	\$3,422,890	(5.8)
Operating Expenses	5,515,438	5,714,492	3.6	1,223,310	1,081,028	(11.6)	3,003,538	2,873,826	(4.3)
Net Operating Income Including Taxes	\$1,193,009	\$1,302,201	9.2	\$85,637	(\$20,375)	(123.8)	\$631,003	\$549,064	(13.0)
Other Income (Deductions) Net (A)	960,445	308,541	(67.9)	13,871	188,181	N/COMP	(142,710)	(146,501)	2.7
Fixed Charges	443,543	381,559	(14.0)	56,933	57,918	1.7	119,570	109,653	(8.3)
Net Income	\$1,709,911	\$1,229,183	(28.1)	\$42,575	\$109,888	158.1	\$368,723	\$292,910	(20.6)
Plant (N.C. Only):									
Gross Plant (B)	\$24,237,367	\$25,636,068	5.8	\$2,865,426	\$2,756,204	(3.8)	\$11,304,665	\$11,770,384	4.1
Accumulated Depreciation	10,741,954	11,581,528	7.8	790,457	873,375	10.5	6,539,217	7,129,421	9.0
Net Plant	\$13,495,413	\$14,054,540	4.1	\$2,074,969	\$1,882,829	(9.3)	\$4,765,448	\$4,640,963	(2.6)
Capital Structure (Systemwide):									
Stockholders' Equity	\$17,442,929	\$12,584,368	(27.9)	\$1,471,994	\$1,078,966	(26.7)	\$15,057,955	\$15,221,953	1.1
Long-Term Debt	11,475,339	12,900,997	12.4	596,115	563,913	(5.4)	9,288,691	6,732,190	(27.5)
Total Capitalization	\$28,918,268	\$25,485,365	(11.9)	\$2,068,109	\$1,642,879	(20.6)	\$24,346,646	\$21,954,143	(9.8)
Long-Term Debt % of Total Capitalization	39.7	50.6	27.6	28.8	34.3	19.1	38.2	30.7	(19.6)
Other Statistics (N.C. Only):									
Total Customers Yearly Average	3,006,858	3,064,431	1.9	972,858	995,959	2.4			
Average Number of kWhs Per Residential Customer	12,706	13,588	6.9	67	67	0.0			
Average Number of Dekatherms Per Residential Customer									
Average Revenue Per Residential Customer:									
Electric Residential Customer (Cents Per kWh)	7.74	7.77	0.4	\$11.86	\$8.93	(24.7)			
Gas Residential Customer (\$ Per Dekatherm)							4,806,709	4,630,465	(3.7)
Total Access Lines in Service							4,793	2,849	(40.6)
Average No. of Calls Per Access Line:							807	529	(34.4)
Local									
Toll									

(A) Includes all Allowance for Funds Used During Construction (AFUDC) and all Extraordinary and Delayed Items.

(B) Includes Plant in Service, Under Construction, Held for Future Use, and Leased to Others.

FIGURE NO. 3-2

**MAJOR UTILITIES REGULATED AND REPORTING TO THE
NORTH CAROLINA UTILITIES COMMISSION
1998, 1999, 2000, 2001 and 2002**

Number as of December 31

Type of Utility or Service	1998	1999	2000	2001	2002
Electric	7	7	5	5	5
Gas	7	7	7	8	7
Motor Freight Carriers (Household Goods Movers)	181	194	198	200	198
Motor Passenger Carriers by Type:					
Common Carriers (Regular Route Buses)	9	9	7	7	7
Motor Boat Common Carriers	11	11	11	13	11
Transportation Brokers	34	35	34	34	34
Total Motor Passenger Carriers	54	55	52	54	52
Telephone-Local Exchange Carriers	16	16	16	16	16
Telephone-Long Distance Carriers	345	303	382	374	410
Telephone-Competing Local Providers	118	98	159	187	200
Payphone Service Providers	378	357	324	341	249
Shared Tenant Service	22	22	22	22	23
Water & Sewer	227	230	225	233	209
Water Resellers	13	35	74	103	134
Total Utilities Under Regulation	1,355	1,289	1,390	1,440	1,369
Municipal Utility Systems Required to File Annual Reports with N.C. Utilities Commission:					
Electric	71	71	71	71	71
Gas	8	8	8	8	8
Telephone	0	0	0	0	0
Total Municipals Filing Annual Reports	79	79	79	79	79
Grand Total Utilities Regulated or Required to File Reports	1,434	1,368	1,469	1,519	1,448

FIGURE NO. 3-3
IMPACT OF REGULATED UTILITIES ON THE ECONOMY OF NORTH CAROLINA
SELECTED STATISTICS ABOUT EMPLOYMENT, WAGES, AND CERTAIN TAXES
PAID OR LEVIED--FOR THE YEARS 1996, 1997, 1998, 1999, 2000, 2001 and 2002

NUMBER OF FULL-TIME EMPLOYEES (N.C. PORTION ONLY)

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	17,164	15,974	15,280	14,723	15,613	13,704	13,771
Gas	3,005	2,990	2,873	2,532	2,277	2,139	2,245
Telephone	11,967	11,053	10,995	11,267	11,360	11,466	10,731
Total Utilities	32,136	30,017	29,148	28,522	29,250	27,309	26,747
Total for State	2,978,368	3,077,750	3,145,823	3,213,882	3,258,266	3,196,324	3,137,656
Utilities % of State Total	1.1%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%

SALARIES AND WAGES PAID NC EMPLOYEES (000s)

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	\$931,777	\$943,203	\$917,377	\$893,299	\$943,970	\$931,955	\$1,015,842
Gas	114,522	116,923	116,050	110,504	110,820	105,420	104,297
Telephone	597,345	554,501	545,825	586,462	569,309	573,731	599,235
Total Utilities	\$1,643,644	\$1,614,627	\$1,579,252	\$1,590,265	\$1,624,099	\$1,611,106	\$1,719,374
Total for State (A) (000's)	\$74,917,822	\$81,552,437	\$88,181,024	\$94,449,545	\$101,023,695	\$101,902,668	\$101,981,898
Utilities % of State Total	2.2%	2.0%	1.8%	1.7%	1.6%	1.6%	1.7%

AVERAGE ANNUAL COMPENSATION

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	\$54,287	\$59,046	\$60,038	\$60,674	\$60,461	\$68,006	\$73,767
Gas	38,110	39,105	40,393	43,643	48,669	49,285	46,457
Telephone	49,916	50,167	49,643	52,051	50,115	50,038	55,841
Total Utilities	\$51,147	\$53,790	\$54,180	\$55,756	\$55,525	\$58,995	\$64,283
Total for State (000's)	\$25,154	\$26,497	\$28,031	\$29,388	\$31,005	\$31,881	\$32,503

(A) State totals from "Employment and Wages in North Carolina" for the appropriate year. Individual utilities' annual reports are used for breakdown of electric, gas, and telephone.

STATE FRANCHISE TAXES (000s)

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	\$215,875	\$169,589	\$177,781	\$177,200	\$179,642	\$186,654	\$194,798
Gas	27,862	20,983	24,926	18,572	N/A	N/A	NA
Telephone	53,305	63,520	39,727	54,234	N/A	53,125	NA
Total Utilities	\$297,042	\$254,092	\$242,434	\$250,006	\$179,642	\$239,779	\$194,798
Total for State (B)	\$495,008	\$534,622	\$567,869	\$567,497	\$557,544	\$746,687	\$592,259
Utilities % of State Total	60.0%	47.5%	42.7%	44.1%	N/COMP	N/COMP	N/COMP

LOCAL PROPERTY TAXES (000s)

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	\$96,560	\$90,833	\$87,140	\$86,467	\$85,944	\$93,685	\$91,649
Gas	10,652	12,487	13,619	9,858	10,562	16,257	N/A
Telephone	44,663	45,329	33,661	42,446	N/A	N/A	N/A
Total Utilities	\$151,875	\$148,649	\$134,420	\$138,771	\$96,506	\$109,942	\$91,649
Total for State (C)	\$3,620,553	\$3,899,768	\$4,145,561	\$4,538,765	\$4,877,318	\$5,358,323	\$5,641,247
Utilities % of State Total	4.2%	3.8%	3.2%	3.1%	N/COMP	N/COMP	N/COMP

STATE INCOME TAXES (000s)

UTILITY	1996	1997	1998	1999	2000	2001	2002
Electric (Major)	\$97,738	\$117,798	\$132,346	\$119,743	\$118,741	\$116,049	\$77,234
Gas	7,212	7,100	7,096	7,315	7,632	6,083	4,181
Telephone	39,549	55,799	54,257	57,100	58,868	54,829	51,090
Total Utilities	\$144,499	\$180,697	\$193,699	\$184,158	\$185,241	\$176,961	\$132,505
Total for State (Corps.) (B)	\$878,028	\$869,717	\$999,759	\$920,583	\$989,280	\$712,161	\$548,046
Utilities % of State Total	16.5%	20.8%	19.4%	20.0%	18.7%	24.8%	24.2%

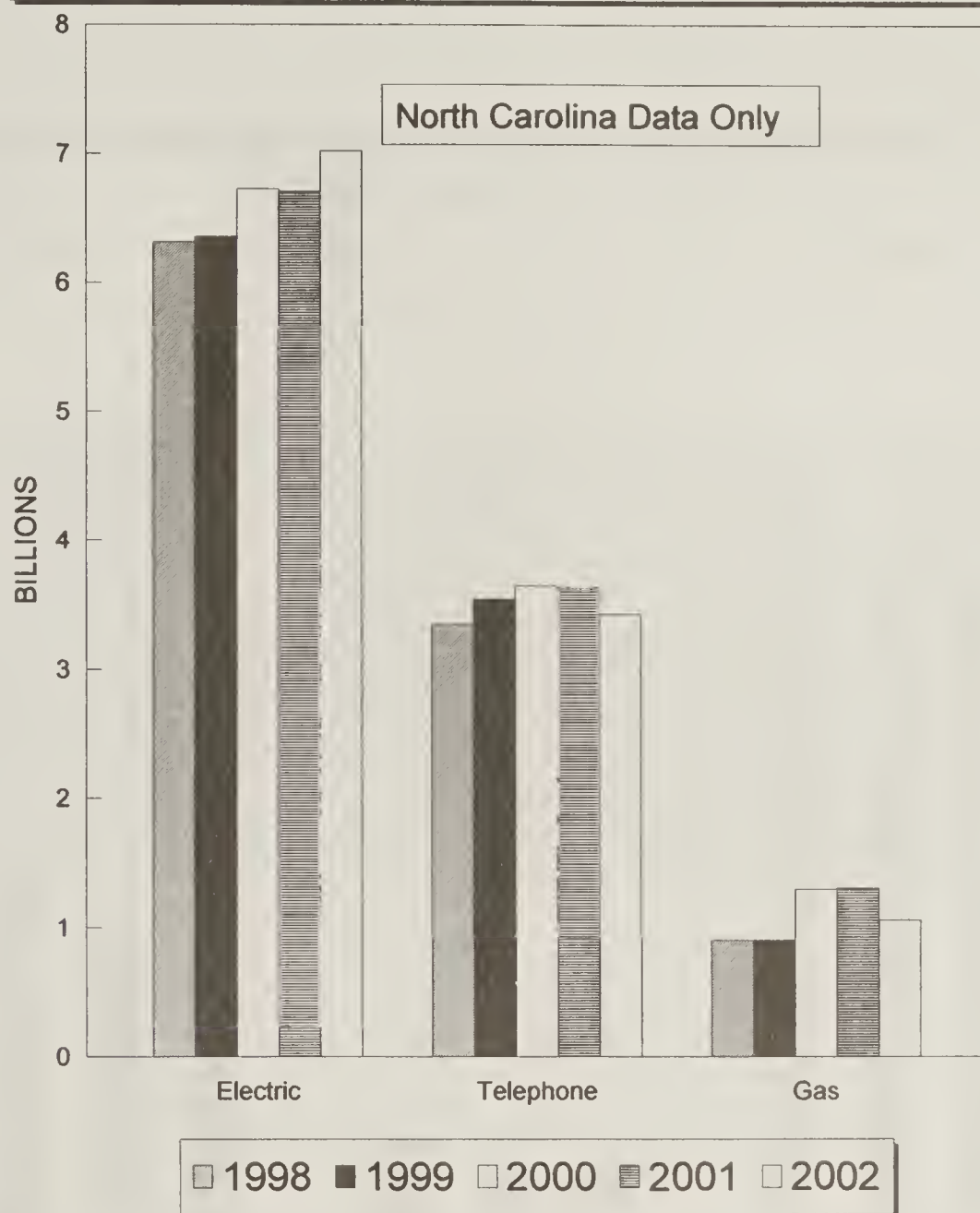
(B) North Carolina Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002, Published by the Office of State Controller

(C) Department of Revenue's Tax Research Division Table LG82.

N/A - Not Available N/COMP - Not Comparable

Figure No. 3-4

Gross Operating Revenues of the Major Utilities in North Carolina For Calendar Years 1998 - 2002



Year	Motor Passenger Carriers <u>1/</u>	Water Only <u>2/</u>	Household Goods <u>3/</u>
1998	21.2 Million	32.9 Million	3 Million
1999	17.3 Million	30.3 Million	2.5 Million
2000	8.6 Million	36.2 Million	2.6 Million
2001	8.6 Million	36.2 Million	2.2 Million
2002	11.5 Million	38.7 Million	1.3 Million

1/ All Classes

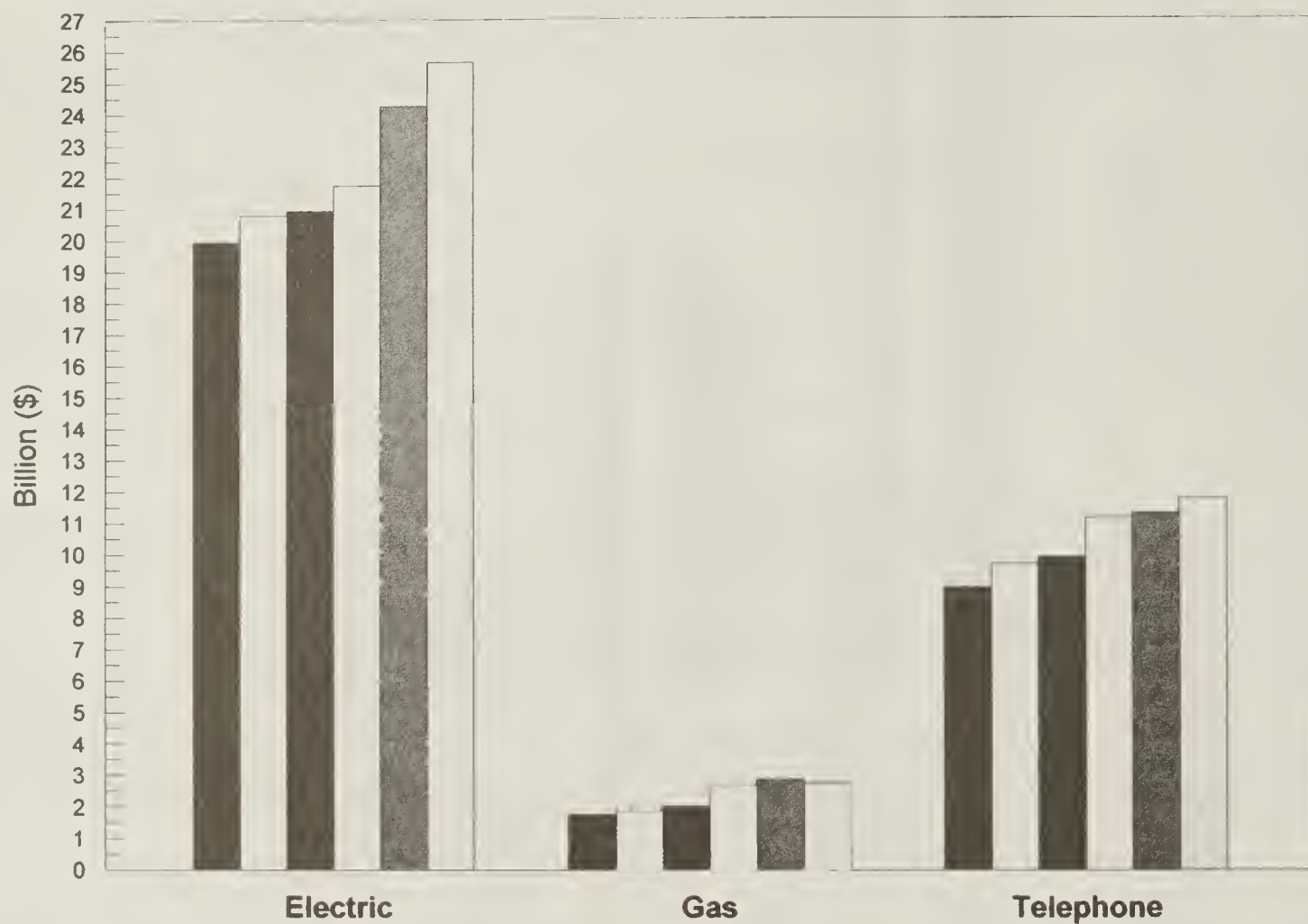
2/ All Classes- Water Only

Electric - Major
Telephone - All Classes
Gas - All Companies

3/ Classes I and II were used.

Figure No. 3-5

Gross Plant Allocated to Serve North Carolina Customers
Electric--Gas--Telephone (1997-2002)



■ 1997 □ 1998 ■ 1999 □ 2000 ■ 2001 □ 2002



IV. The Electric Power Industry

North Carolina Electric IOU Service Area Map



NORTH CAROLINA ELECTRIC MEMBERSHIP CORPORATIONS



LEGEND

No.	Name	Location	No.	Name	Location
10	HAYWOOD EMC	Waynesville	43	JONES-ONSLOW EMC	Jacksonville
14	PITT & GREENE EMC	Farmville	46	FRENCH BROAD EMC	Marshall
16	EDGEcombe-MARTIN COUNTY EMC	Tarboro	47	WAKE EMC	Wake Forest
21	FOUR COUNTY EMC	Burgaw	49	SURRY-YADKIN EMC	DODSON
23	BLUE RIDGE EMC	Lenoir	50	TRI-COUNTY EMC	Goldsboro
25	RUTHERFORD EMC	Forest City	51	LUMBEE RIVER EMC	Red Springs
31	ROANOKE EMC	Rich Square	52	SOUTH RIVER EMC	Dunn
32	PIEDMONT EMC	Hillsborough	55	CARTERET-CRAVEN EMC	Morehead City
33	HALIFAX EMC	Enfield	58	CENTRAL EMC	Sanford
34	PEE DEE EMC	Wadesboro	59	TIDELAND EMC	Pantego
35	ENERGYUNITED	Statesville	64	CAPE HATTERAS EMC	Buxton
36	RANDOLPH EMC	Asheboro	66	ALBEMARLE EMC	Hertford
38	HARKERS ISLAND EMC	Harkers Island			
39	UNIOR EMC	Monroe			
40	BRUNSWICK EMC	Shallotte			

FIGURE NO. 4-2

NORTH CAROLINA ELECTRIC
MEMBERSHIP CORPORATION
3333 North Boulevard
Raleigh, N.C. 27604

North Carolina Membership



LAST UPDATE 4/12/04 • LIH

FIGURE NO. 4-3

MAJOR ELECTRIC COMPANIES

At December 31, 2003
(Fully Regulated)

**PROGRESS ENERGY, INC. DBA
PROGRESS ENERGY CAROLINAS**

411 Fayetteville Street
RALEIGH, NORTH CAROLINA 27601-1748
(919) 546-6111

Organized: April 6, 1926

States Served: North Carolina and
South Carolina

**DUKE ENERGY CORPORATION DBA
DUKE POWER COMPANY
422 South Church Street
CHARLOTTE, NORTH CAROLINA 28201
(704) 594-0887**

Organized: May 1917

States Served: North Carolina and
South Carolina

**NANTAHALA POWER AND LIGHT COMPANY
WHOLLY OWNED SUBSIDIARY OF
DUKE POWER COMPANY**
301 NP&L Loop
FRANKLIN, NORTH CAROLINA 28734
(828)369-4544**

Organized: July 23, 1929

Acquired by Duke Power Company:
November 17, 1988

State Served: North Carolina

**Merged into Duke Power August 3, 1998

**VIRGINIA ELECTRIC AND POWER
COMPANY DBA
NORTH CAROLINA POWER COMPANY
One James River Plaza
RICHMOND, VIRGINIA 23219
(804) 775-5813**

Organized: June 29, 1909

States Served: North Carolina and Virginia

SMALL ELECTRIC COMPANIES

At December 31, 2003 (Fully Regulated)

COMPANY	COUNTY SERVED***
New River Power & Light	Watauga County
Western Carolina University	Jackson County
***Entire County is not served by the companies listed.	

**MUNICIPAL ELECTRIC SYSTEMS
AND SOURCE OF POWER*
(Not Regulated)**

MUNICIPALITY	SOURCE OF POWER
Albemarle	NCMPA No. 1
Apex	NCEMPA
Ayden	NCEMPA
Belhaven	NCEMPA
Benson	NCEMPA
Black Creek	City of Wilson
Bostic	NCMPA No. 1
Cherryville	NCMPA No. 1
Clayton	NCEMPA
Concord	Duke Energy
Cornelius	NCMPA No. 1
Dallas	Duke Energy
Drexel	NCMPA No. 1
Edenton	NCEMPA
Elizabeth City	NCEMPA
Enfield	NC Power
Farmville	NCEMPA
Fayetteville	CP&L
Forest City	Duke Energy
Fountain	Town of Farmville
Fremont	NCEMPA
Gastonia	NCMPA No. 1
Granite Falls	NCMPA No. 1
Greenville	NCEMPA
Hamilton	NCEMPA
Hertford	NCEMPA
High Point	NCMPA No. 1
Highlands	Duke Energy
Hobgood	NCEMPA
Hookerton	NCEMPA
Huntersville	NCMPA No. 1
Kings Mountain	Duke Energy
Kinston	NCEMPA

FIGURE NO. 4-3 CONTINUED

MUNICIPALITY	SOURCE OF POWER*
LaGrange	NCEMPA
Landis	NCMPA No. 1
Laurinburg	NCEMPA
Lexington	NCMPA No. 1
Lincolnton	NCMPA No. 1
Louisburg	NCEMPA
Lucama	City of Wilson
Lumberton	NCEMPA
MacClesfield	City of Wilson
Maiden	NCMPA No. 1
Monroe	NCMPA No. 1
Morganton	NCMPA No. 1
Murphy	TVA
New Bern	NCEMPA
Newton	NCMPA No. 1
Oak City	Edgecombe-Martin EMC
Pikeville	NCEMPA
Pinetops	City of Wilson
Pineville	NCMPA No. 1
Red Springs	NCEMPA
Robersonville	NCEMPA
Rocky Mount	NCEMPA
Scotland Neck	NCEMPA
Selma	NCEMPA
Sharpsburg	City of Rocky Mount
Shelby	NCMPA No. 1
Smithfield	NCEMPA
Southport	NCEMPA
Stantonsburg	City of Wilson
Statesville	NCMPA No. 1
Tarboro	NCEMPA
Wake Forest	NCEMPA
Walstonburg	City of Wilson
Washington	NCEMPA
Waynesville	CP&L
Wilson	NCEMPA
Windsor	NC Power
Winterville	Greenville Utilities Comm.

Total: 71

*NCMPA No. 1 = North Carolina Municipal
Power Agency Number

1

NCEMPA = North Carolina Eastern Municipal
Power Agency

FIGURE NO. 4-4
N. C. ELECTRIC MEMBERSHIP CORPORATION
AND SOURCE OF POWER
December 31, 2003
(Regulated as to Quality of Service Only)

ELECTRIC MEMBERSHIP CORPORATION	HEADQUARTERS	SOURCE OF POWER*
Albemarle	Hertford	NCEMC, SEPA
Blue Ridge	Lenoir	NCEMC, SEPA
Brunswick	Shallotte	NCEMC, SEPA
Cape Hatteras	Buxton	NCEMC
Carteret-Craven	Morehead City	NCEMC, SEPA
Central	Sanford	NCEMC, SEPA
Crescent	Statesville	NCEMC, SEPA
Davidson	Lexington	NCEMC
Edgecombe-Martin County	Tarboro	NCEMC, SEPA
Four County	Burgaw	NCEMC, SEPA
French Broad	Marshall	CP&L, SEPA
Halifax	Enfield	NCEMC, SEPA
Harkers Island	Harkers Island	NCEMC
Haywood	Waynesville	NCEMC, SEPA
Jones-Onslow	Jacksonville	NCEMC, SEPA
Lumbee River	Red Springs	NCEMC, SEPA
Pee Dee	Wadesboro	NCEMC, SEPA
Piedmont	Hillsborough	NCEMC, SEPA
Pitt & Greene	Farmville	NCEMC, SEPA
Randolph	Asheboro	NCEMC, SEPA
Roanoke	Rich Square	NCEMC, SEPA
Rutherford	Forest City	NCEMC, SEPA
South River	Dunn	NCEMC, SEPA
Surry-Yadkin	Dobson	NCEMC,
Tideland	Pantego	NCEMC, SEPA
Tri-County	Dudley	NCEMC, SEPA
Union	Monroe	NCEMC, SEPA
Wake	Wake Forest	NCEMC, SEPA

* NCEMC - North Carolina Electric Membership Corporation
SEPA - Southeastern Power Administration

FIGURE NO. 4-4 CONTINUED
FOREIGN ELECTRIC MEMBERSHIP CORPORATIONS OPERATING IN N.C.
 December 31, 2003

ELECTRIC MEMBERSHIP CORPORATIONS	HEADQUARTERS	SOURCE OF POWER
Blue Ridge Mountain Serves Cherokee and Clay Counties	Young Harris, GA.	TVA
Broad River Electric Cooperative, Inc. Serves Cleveland County	Gaffney, S.C.	Saluda Electric Corporation
Mecklenburg Electric Cooperative, Inc. Serves Granville and Warren Counties	Chase City, VA.	SEPA, Old Dominion
Tri-State Serves Cherokee County	McCaysville, GA	TVA
Mountain Electric Cooperative, Inc. Serves Avery, Burke, McDowell and Watauga Counties	Mountain City, TN	TVA

A. GENERAL COMMENTS

There were three major electric utilities operating in North Carolina at December 31, 2002: Progress Energy Carolinas (Progress), Duke Power Company (Duke), and Virginia Electric and Power Company (NC Power). For the purpose of this report Nantahala Power and Light Company (Nantahala) is broken out separately even though it merged into Duke Power Company by Order dated April 8, 1998.

Progress Energy, Inc. dba Progress Energy Carolinas (Progress), an investor-owned utility, operates nineteen coal-fired units at eight plants, four nuclear units at three plants, forty-four combustion turbine generators at twelve plants, fifteen hydroelectric units at four plants, and six combined cycle units at one location. In 2002 Progress provided electricity to 1,290,668 North Carolina customers. Progress' service area encompasses an area of 30,000 square miles with a population of more than 3.75 million including the Coastal Plains Section of North Carolina, a section in western North Carolina, and one-fourth of eastern South Carolina. The North Carolina Utilities Commission regulates approximately 63% of Progress' energy sales. The North and South Carolina Commissions govern retail electric rates and the Federal Energy Regulatory Commission governs wholesale electric rates. Progress Energy Carolinas is headquartered in Raleigh, North Carolina.

Duke Energy Corporation dba Duke Power Company (Duke) is one of the nation's largest investor-owned electric utilities in terms of kilowatt-hour sales. Duke Power Company merged with PanEnergy Corporation, headquartered in Houston, Texas, effective April 22, 1997, to become Duke Energy Corporation. In 2002 Duke Power's service area covered approximately 20,000 square miles with an estimated population of about 4.8 million. Duke Power Company provided electricity to 1,597,658 North Carolina customers in 2002 and served approximately two million customers systemwide. Duke owns three nuclear generating plants (7 units), eight coal-fired plants (30 units), and two pumped storage hydroelectric plants (8 units) and combustion turbine generation at six plants (39 units). The North Carolina Utilities Commission regulates approximately 60% of

Duke Power's energy sales. The headquarters for Duke is in Charlotte, North Carolina.

Virginia Electric and Power Company (Vepco) is the principal subsidiary of Dominion Resources, Inc., a publicly traded holding company formed in 1983. Vepco provides service to northeastern North Carolina, where it serves 20 counties as North Carolina Power. Vepco's service territory includes the urban corridor stretching from the suburbs of Washington, D.C., through Richmond to the Hampton Roads and Norfolk area of Virginia to North Carolina. N.C. Power provided electricity to 111,816 North Carolina customers in 2002. Vepco provides electricity to more than 1.8 million customers systemwide within a 30,000 square mile area. The North Carolina Utilities Commission regulates approximately 6% of Vepco's energy sales. Vepco generates electricity with two nuclear plants (4 units), eleven coal-fired plants (17 units), two oil-fired plants (4 units), combustion turbine at ten plants (41 units); combined cycle at two plants (3 units), four small hydroelectric plants (14 units); and with one pumped storage hydroelectric plant (6 units) owned jointly with another utility. Dominion Resources, Inc. is headquartered in Richmond, Virginia.

Nantahala Power and Light Company serves the far western portion of North Carolina. In 2002 Nantahala served 64,289 customers in a five-county area. Nantahala operates eleven hydroelectric plants with a total capacity of approximately 100 megawatts. Nantahala was acquired by Duke Power Company on November 17, 1988, but continued to operate independently. A 26-mile transmission line, completed by Duke in 1990, linked the two systems together. This line also provided an indirect connection between Duke Power and the Tennessee Valley Authority. Nantahala was given approval by the N.C. Utilities Commission to merge into Duke Power Company by Order dated April 8, 1998. The South Carolina Public Service Commission and the FERC also approved the merger which was consummated on August 3, 1998.

The three major electric companies provide service directly to retail consumers, and they are suppliers of electric energy on a wholesale basis to all 28 electric membership corporations (EMCs) operating in North Carolina.

There are five EMCs with operations in North Carolina whose headquarters are in other states. The major companies also supply electric energy to municipalities operating electric distribution systems throughout N.C., with 51 ElectriCities members having their own power source, four supplied power by Duke Power, and ten (10) others supplied by neighboring municipalities. The North Carolina Utilities Commission does not regulate the retail rates of EMCs or municipalities operating in North Carolina.

There were two Commission regulated nonmajor electric utilities also operating in North Carolina as of December 31, 2002: New River Light and Power Company, a subsidiary of Appalachian State University (ASU) located in Boone, N.C., which served 6,868 customers in 2002, with ASU being its largest single customer; and Western Carolina University located in Jackson County, N.C.

B. ELECTRIC INDUSTRY RESTRUCTURING

In April of 1996, the FERC issued Order Nos. 888 and 889 establishing rules governing open access to electric transmission systems by wholesale customers and establishing an Open Access Same-time Information System (OASIS). The FERC rules required utilities to file standard, non-discriminatory open access transmission tariffs for wholesale customers.

These FERC rules required utilities to separate/unbundle their transmission functions and their power marketing functions applicable to wholesale transactions. They also required utilities to obtain information about their own transmission system for their own wholesale transactions in the same manner as their competitors via an OASIS system on the Internet. The purpose was to ensure that transmission owners do not have an unfair advantage in using transmission systems to sell power. The FERC rules also permitted recovery of legitimate, prudent, verifiable costs for wholesale services contracts. (A March 4, 2002, U.S. Supreme Court decision upholding Order No. 888 is discussed in the Regional Transmission Organizations section of this report.)

The North Carolina General Assembly passed legislation during the 1997 session establishing the Study Commission on the Future of Electric Service in North Carolina. The Study

Commission was charged with examining the cost, adequacy, availability, and pricing of electric rates and services in North Carolina to determine whether legislation was necessary to assure an adequate and reliable source of electricity and economical, fair, and equitable rates for all consumers of electricity in North Carolina.

In December 1999, the FERC issued Order No. 2000, in part encouraging all transmission owners to voluntarily join regional transmission organizations (RTOs) to help address the engineering and economic inefficiencies the FERC believed to be inherent in the current transmission system and to correct perceived or real discrimination by transmission owners against competing generators. Order No. 2000 did not require RTO participation, nor did it draw regional RTO boundaries. However, it stated that the FERC would consider requiring RTO participation as a condition for approval of mergers, acquisitions, or market-based rates, or as a remedy in connection with resolution of a complaint alleging discrimination as determined to be appropriate on a case-by-case basis. Order No. 2000 established a goal of having RTOs up and running by December 15, 2001, and required each jurisdictional transmission owner or operator, by October 15, 2000, to (a) file an application for approval to participate in a specific RTO, or (b) explain its reasons for not participating in an RTO and any actions it is taking to resolve obstacles to participating in an RTO. Each RTO is subject to final approval by the FERC.

In April 2000, the Study Commission approved its final recommendations to the 2000 Regular Session of the 1999 General Assembly. Its recommendations included, among other things, (1) fully competitive retail electric service to all consumers in North Carolina as of January 1, 2006, and (2) recovery of reasonable potentially stranded costs by the incumbent utilities serving North Carolina.

At a meeting held on January 23, 2001, the Study Commission redirected its focus on encouraging a robust and competitive wholesale market. Consistent with that new focus, Senator Hoyle, as Co-Chair of the Study Commission, asked this Commission to review the requirements for certification of new electric generating capacity in North Carolina with a view

toward streamlining the certification process for merchant plants. In response, in May 2001, the Commission issued an Order adopting Commission Rule R8-63 for the certification of merchant plants. This new rule significantly streamlined the certification process for new merchant plants and greatly reduced the burden on such applicants.

The relatively recent emergence of merchant plants, large-scale wholesale electric sales and RTOs have become central issues in determining the long range needs for expansion of electric generation facilities in North Carolina. For this reason, merchant plants and RTOs will be discussed separately in the next two sections of this report.

Merchant Plants

A merchant plant is a non-utility electric generating facility that is usually constructed without a native load obligation or firm long-term contract, or any other assurances that it will have a market for its power. They are generally sited in areas where the owners see a future need for an electric generating facility and are willing to undertake the economic risk of its construction.

The certification of new electric generating plants is governed by G.S. 62-110.1, which requires that anyone proposing to build a new power plants to be used directly or indirectly for the purposes of furnishing public utility service must seek and obtain a certificate of public convenience and necessity from the Commission before commencing construction, regardless of whether the party proposing to build the plant is a public utility or some other person. Before the advent of the current merchant plant generation industry, the Commission had adopted a rule which governed the handling of applications for such certificates. However, that rule had been drafted with utility generating facilities and qualifying facilities in mind. There was no specific provision in that rule applicable to the certification of merchant plants. As a result, the Commission evaluated applications for a certificate for merchant plants under a rule which was originally intended for an entirely different type of applicant.

As noted in the previous section, the Commission issued an order in May 2001, which adopted new Commission Rule R8-63. The new rule is specifically designed for merchant plant applications and spells out in detail the

requirements for filing and obtaining approval of a merchant plant certificate application. This new rule also significantly streamlined the process which the Commission uses to decide whether to grant a certificate to such facilities.

Commission Rule R8-63 eliminated a 120-day prefiling requirement for merchant plant certificate applications contained in the earlier rule and facilitates prompt scheduling of hearings upon the filing of a complete application in order to minimize delay. In addition, the Commission has held hearings in and decided merchant plant cases in an expeditious manner. For example, the Commission issued a final order in a recent merchant plant case within about three and a half months after the application was filed.

In addition, the new rule eliminated a requirement that merchant plants have a contract from a utility. They are now only required to show "the need for the facility in the state and/or region, with supporting documentation."

The new rule makes all merchant plant certificates subject to certain conditions, including requirements that the applicant receive and maintain all other necessary regulatory approvals and that the certificate holder notify the Commission of any plans to sell, transfer, or assign the certificate or the facility. After adopting the new rule, the Commission has included a new condition in a number of merchant plant certificates that makes any subsequent transfer of a merchant plant certificate subject to Commission approval. The Commission decided to begin imposing this additional condition because of its belief that it needs some continuing authority over merchant plants following certification for the purpose of ensuring proper planning and preventing market power abuses. The Commission has also conditioned certificates issued to merchant plant applicants that needed to obtain external financing to complete construction on the applicants' obtaining the necessary financing within a designated time period in order to avoid undue delays in the construction process. In addition, the Commission has required that the applicants refrain from making any attempt to exercise eminent domain authority. The Commission continues to scrutinize each application carefully and will take appropriate actions in order to protect the using and consuming public.

Since the issuance of the new rule, the Commission has issued merchant plant certificates to Rowan Generating, an Entergy subsidiary, for a 900 MW facility in Rowan County; to GenPower Earleys, a subsidiary of GenPower, for a 528 MW facility in Hertford County; to Progress Energy Ventures for a 640 MW facility in Rowan County; to Mirant Gastonia, a subsidiary of Mirant Corporation, for a 1200 MW facility in Gaston County; to Fayetteville Generating, a subsidiary of Newport Generation Ventures, for authority to construct a 640 MW facility in Cumberland County; to Carolina Generation, another Newport subsidiary, for authority to construct a 1320 MW facility in Richmond County and to Still Pines Energy, a subsidiary of Jones Capital Corporation, for authority to construct a 250 MW facility in Davidson County.

It is important to note that although merchant plants will be constructed in North Carolina, the electricity produced by these facilities will not necessarily be consumed by North Carolina customers. The owners of merchant plants are free to sell the electricity they produce to whomever will provide them with the best economic benefit, and the resulting contracts may be for short- or long-term duration.

Regional Transmission Organizations

Vertically integrated electric utilities, such as Duke and Progress, produce their own power at central generation facilities, transmit the power over long distances at high voltage from the generation facilities to load centers, and finally distribute the power over lower voltage lines for use by retail customers. Such customers are referred to as "bundled" since all aspects of their delivered electrical service are provided by a single energy provider. Over the past two decades, however, the federal government has pursued a policy goal of introducing, and subsequently encouraging, competition in the wholesale power market. This has led to attempts at the federal level to remove any barriers to competition, including ownership and operation of the high-voltage transmission system by vertically integrated utilities who might otherwise have an incentive to stifle competition by discriminating in favor of their own generation resources.

In Order No. 2000, the FERC encouraged the formation of RTOs, which are independent entities created to operate the interconnected transmission assets of multiple electric utilities on a regional basis, to reduce the cost and burden of transmitting power to more distant markets, and to further enhance wholesale competition. In that order the FERC did not attempt to force utilities into particular regional groups but stated that it would consider any proposal so long as it met four minimum characteristics -- (1) independence, (2) scope and regional configuration, (3) operational authority, and (4) short-term reliability. North Carolina's investor-owned utilities, including Duke and Progress, were directed to file with the FERC by October 15, 2000, a proposal to create an RTO which would be operational by December 15, 2001.

In compliance with this Order, Duke, Progress, and South Carolina Electric & Gas Company (SCE&G) filed with the FERC a proposal to form GridSouth Transco, LLC (GridSouth), a Carolinas-based RTO. Recognizing that North Carolina has not restructured the electric utility industry and unbundled retail rates, the utilities proposed as part of GridSouth that their transmission service for retail customers should continue to be handled as it is now -- they would use their own transmission lines and be compensated by retail customers through the bundled rates approved by the Commission. The utilities also proposed that they retain the authority to plan transmission system changes for the purpose of meeting the needs of their retail customers, as well as a right of first refusal to construct transmission facilities within their individual service territories where such new facilities are identified by GridSouth as necessary. In March 2001, the FERC issued an order provisionally approving GridSouth but rejecting the above two proposals.

On April 2, 2001, Duke and Progress filed an application with this Commission requesting approval for the transfer of functional control over their electric transmission assets to GridSouth and for a declaratory ruling that GridSouth will not be an affiliate of either Progress or Duke as that term is used in the Public Utilities Act and the utilities' respective Codes of Conduct.

On April 13, 2001, the utilities filed for clarification and rehearing on the proposals

rejected by the FERC in its March order. On May 30, 2001, the FERC issued an order denying the Applicants' requests for clarification and rehearing.

In a related July 12, 2001, Order, the FERC requested that the GridSouth applicants work with other Southeast transmission owners to combine to form a single RTO. The FERC stated that in order to successfully encompass the natural market for bulk power in the Southeast, it was necessary that the Southeastern transmission owners combine to form a single RTO. The Order directed GridSouth and parties to other separate RTO proceedings in the region to participate in settlement discussions for 45 days before a mediator and appropriate consultants to assist and provide advice during the mediation. That process did not result in an agreement that would lead to GridSouth becoming part of a larger RTO. On February 19, 2002, Progress and Duke filed a motion with this Commission withdrawing its GridSouth application.

Based on recent statements by the FERC, it now appears more willing to consider several smaller RTOs in the Southeast, such as the one previously proposed by GridSouth.

On March 4, 2002, the U.S. Supreme Court upheld Order No. 888, the 1996 decision requiring open-access and nondiscriminatory electric transmission service, which was enacted in order to remedy discriminatory practices in bulk power wholesale markets. This Supreme Court ruling affirmed the FERC's jurisdiction over the transmission of interstate power to the wholesale and unbundled retail markets. However, it did not affect service to the retail customers of vertically integrated utilities, such as those that serve North Carolina.

So far, the FERC has not made a decision to extend open-access requirements to bundled retail service, such as the transmission component of the service provided to the customers of North Carolina IOUs. During the summer of 2002, the FERC plans to issue a Notice of Proposed Rulemaking (NOPR) on standard market design (SMD). One goal of SMD is a seamless nationwide market for wholesale electricity. As outlined, the FERC's proposal would require all transmission to be provided

under a FERC-jurisdictional tariff containing the proposed SMD, including the transmission service provided to bundled retail customers of vertically-integrated utilities in states not pursuing retail competition. The proposed SMD also creates a centralized market or physical hub and extends FERC jurisdiction over the dispatch order of generating plants in retail rate base. This Commission has objected to the FERC's SMD on the grounds that it impermissibly intrudes into areas subject to state jurisdiction and might result in higher rates and less reliable service for the bundled retail customers of North Carolina IOUs.

(Section B was copied from the Annual Report of the North Carolina Utilities Commission Regarding Long Range Needs for Expansion of Electric Generation Facilities for Service in North Carolina – July 2002).

Green Power

In January 2001 the Study Commission on the Future of Electric Service in North Carolina (Study Commission) requested that the North Carolina Utilities Commission (Commission) investigate and make recommendations, in part, on the possible creation of a voluntary "green" check-off program. The Commission was requested to investigate potential benefits and costs and to recommend uses for the fund and the amount of the check-off.

On February 16, 2001, the Commission issued its Order Initiating Investigation, Requesting Comments, Scheduling Public Hearing, and Requiring Public Notice in Docket No. E-100, Sub 90. A diverse group of parties participated and filed written comments, including the State's electric suppliers, renewable energy advocates and suppliers, and consumer representatives. In addition, a number of consumers filed written statements of position and eleven people testified at a well-attended public hearing in Raleigh.

Based upon the Commission's investigation, it found considerable benefit in exploring implementation of a statewide voluntary green power program for North Carolina. To reach consensus on an implementation plan for North Carolina, the Advanced Energy Corporation (AEC) facilitated the organization of a Green Power Program Advisory Committee consisting of stakeholders who had shown interest in the green power program, including representatives from the utilities, renewable resource developers,

environmental interests, and the State Energy Office. Simultaneously, the stakeholders began working with the Center for Resource Solutions on developing criteria for national certification of North Carolina's green power program.

On May 31, 2002, AEC filed a proposed program plan for NC GreenPower, a statewide green pricing program for North Carolina. To assist in its consideration of this matter, the Commission requested written comments from interested persons on the proposed green power program and utility tariffs and scheduled public hearings at several locations across the State to receive comments from public witnesses on the proposal.

On November 22, 2002, AEC filed a revised administrative and operational plan to implement, in conjunction with the utilities, a statewide, voluntary green power pricing program in North Carolina - NC GreenPower. As indicated by AEC, the revised NC GreenPower proposal now includes two products (1) a "mass-market" product to be offered primarily to residential customers that is comprised of higher-priced renewal resources, and (2) a "large-volume" product to be offered to large-volume customers that is more price competitive in comparison to out-of-state green tags. The revised proposal also attempts to balance the interests of all stakeholders by narrowing the types of renewable resources included in the mass-market products while incorporating a broader spectrum of resources in the lower-cost large-volume product. AEC further stated that although no single interest of representative group may be completely satisfied with the revised plan, it believed that the revised proposal comes much closer than the initial May 31, 2002, filing to gaining the necessary support for the program.

The Commission issued an Order on December 11, 2002, commending AEC, the utilities, and the diverse stakeholders in this proceeding for their work in together developing the NC GreenPower proposal. In that Order, the Commission stated that there appears to be considerable consensus and support for the revised plan and that it, therefore, was inclined to approve the revised NC GreenPower proposal and necessary utility tariffs and to allow the program to move forward to implementation. Lastly, however, noting that at least one issue,

that of the use of wood waste in the large-volume products, remained contentious, the Commission allowed interested persons until December 31, 2002, within which to file dissenting comments on an aspect of the revised NC GreenPower proposal and utility tariffs.

On January 28, 2003, the Commission issued an Order Approving NC GreenPower and addressing the concerns raised in the five comments filed on or about December 31, 2002. The Commission required that the utilities participating in NC GreenPower begin allowing consumers to sign up within six months of approval of the program, or July 28, 2003.

On February 11, 2003, the Commission issued an Order accepting nominations for the NC GreenPower Board of Directors and on March 11, 2003, issued an Order appointing Board members and a Chair and Vice-Chair for NC GreenPower.

C. RETAIL CUSTOMER GROWTH—COMMENTS

In 2002 the three major electric utilities experienced a customer growth rate between 1.0% and 2.2% for their North Carolina operations. The net customer increase from December 31, 2001, to December 31, 2002, for these four companies was 67,573 bringing the total average number of customers in 2002, to 3,064,431 as shown in Figure No. 4-5. An average of 3,071,299 North Carolina customers were served by five of the regulated electric utilities during 2002.

D. ANNUAL CUSTOMER USE

The annual consumption of kilowatt-hours per residential customer in 2002 for the four major companies was 13,588 kWhs. This was a 6.9% increase from 2001. Consumption for 2002 was 38.4% higher than the national average of 9,821 per residential customer. As shown in Figure No. 4-6, North Carolina's per customer residential consumption exceeded the national average for the years 1996-2002.

The average monthly electricity use by North Carolina residential customers of major electric companies is 1,132 kilowatt-hours. Residential customers constitute about 80% of the total electric customers in the State. There is

a direct correlation between the greater residential usage in North Carolina and the average charge per kilowatt-hour.

Figure No. 4-7 illustrates the residential electric service for the three major companies and Nantahala, breaking down the average kWh usage per customer and cents per kWh and the N. C. average price per kWh in cents by each company for the years 1993-2002.

E. COMPARISON OF AVERAGE RESIDENTIAL MONTHLY BILLS

In Figure No. 4-9 a typical residential electric bill as of January 1, 2003, from North Carolina is compared to nine selected states from across the country. These states include Alabama, California, Florida, Indiana, Maine, Michigan, Ohio, South Carolina, and Virginia. For 2003 North Carolina is the eighth lowest at the 500 kWh level, 750 kWh level, and at the 1,000 kWh level. In 2002 the ranking is sixth, sixth, and seventh lowest respectively.

In a comparison with the United States average, North Carolina monthly bills are lower for 500 kWh, 750 kWh and 1,000 kWh. The electric utilities have service area-wide rates for respective residential, commercial, and industrial customer classes in North Carolina.

F. ADVANCED ENERGY CORPORATION

Located in Raleigh, North Carolina, Advanced Energy focuses on industrial process technologies, motors and drives testing, and applied building science, with state-of-the-art laboratories in which to do testing and applied research.

Advanced Energy is a non-profit corporation that helps utility, industrial and residential customers improve the return on their energy investment. Offering consulting, testing, and training, it develops innovative solutions to unique problems. The primary mission of Advanced Energy is to increase efficiency and productivity in industries, businesses, and homes as they transform energy into goods, services, and environmental conditioning.

Advanced Energy was originally known as Alternative Energy Corporation, or AEC. It was founded by the North Carolina Utilities

Commission in 1980—a time when electric rates had been rising due to increased power plant construction. The Utilities Commission saw AEC as a way to help the utilities avoid building new power plants by exploring alternative ways of producing electricity and by getting more work out of the electricity already available. On June 1, 1997, the North Carolina Alternative Energy Corporation or AEC, become Advanced Energy, a name change approved in Docket No. E-100, Sub 37.

With the cooperation of the state's major electric utilities, the Utilities Commission set up funding to come from the electric ratepayers of the state—an investment equivalent to about \$.39 per person per year. The money is collected by member utilities and then passed along to Advanced Energy. The members are Progress Energy Carolinas, Duke Power Company, Nantahala Power & Light Company, North Carolina's electric cooperatives, and Dominion North Carolina.

The corporation is governed by a Board of Directors with seven members appointed by the governor of North Carolina and five directors named by the member utilities.

In the years since 1980, Advanced Energy has carried out hundreds of projects for all sectors of the economy, including agriculture, industry, commercial, residential, governments and nonprofits, education, and utilities. The emphasis on innovation and efficiency has not changed as Advanced Energy continues to build on a foundation of expertise and achievement in applied building science, motors and drive testing, and industrial process technologies.

G. GENERATING CAPABILITY

Nuclear Power: Progress Energy's three nuclear plants generated 23 million megawatt-hours of electricity during 2002, or 39% of Progress' total energy resources. Duke's three nuclear plants generated 43 million megawatt-hours of electricity for Duke customers during 2002, or 48% of Duke's total energy resources. Both Progress and Duke also generated additional nuclear power for other North Carolina based wholesale suppliers of electricity. Dominion North Carolina Power's two nuclear plants generated 26 million megawatt-hours of

electricity during 2002, or 36% of its total energy resources. Overall, about 45% of the electricity consumed by utility customers in North Carolina during 2002 was generated by nuclear power.

Fossil Generation: Progress Energy generated 30 million megawatt-hours of electricity during 2002 using coal, oil, and natural gas-fired steam generation, or 51% of Progress' total energy resources. By contrast, Duke generated 44 million megawatt-hours, or 48% of its total energy resources, using such generation. Likewise, Dominion North Carolina Power generated 39 million megawatt-hours, or 56% of its total energy resources, using such generation. Roughly 48% of the electricity consumed by utility customers in North Carolina during 2002 was generated by coal-fired steam.

Other fossil fuel resources utilized by the utilities include oil or natural gas-fired combustion turbines and combined cycle facilities. Such facilities usually contribute a small amount, typically less than 1% of the electricity consumed in the State, although they represent a much more significant percentage of the generating capacity available to each utility. Facilities such as combustion turbines are used primarily for peak-load generation and for standby capacity.

There is increasing interest by the utilities in utilizing natural gas for electricity generation. Most of the new generation planned by the utilities over the next five to ten years will use natural gas to the extent it is available.

Other Resources: Hydroelectric, solar power, photovoltaic and biomass are all utilized by the utilities to some extent, but all together they represent less than 1% of the electricity consumed in the State. The largest constraints to greater use of these resources are relative cost versus fossil and nuclear generation, and environmental constraints on siting such facilities.

However, a growing factor in the total energy resources of the utilities is power purchases from neighboring utilities and from non-utility vendors. Such outside purchases represent about 5% of the electricity consumed in North Carolina during 2002.

Qualifying Facilities: In 1978 the

Federal Public Utility Regulatory Policies Act (PURPA) challenged the Federal Energy Regulatory Commission and the State regulatory authorities to encourage the development of cogeneration and small power production. The regulated electric utilities are required to purchase the electricity generated by these qualifying cogeneration and small power production facilities, but are not required to pay more than the avoided costs for purchases. Avoided cost means the incremental costs to an electric utility of electric energy or capacity or both which it would generate itself or purchase from another source.

At the present, the three largest power companies in North Carolina are working with customers who generate some of their own needs for electrical power, thus lowering peak loads.

Cogeneration facilities simultaneously produce two forms of useful energy such as electric power and steam. An example of manufacturing cogeneration is a furniture manufacturing plant which not only uses process steam in its manufacturing activities but also uses the same steam in order to generate electricity. Cogeneration facilities use significantly less fuel to produce electricity and steam (or other forms of energy) than would be needed to produce the two separately. Thus by using fuels more efficiently, cogeneration facilities can make a significant contribution to the nation's effort to conserve its energy resources.

Small power production facilities may use biomass, waste, and renewable resources including wind, solar, and water to produce electric power. These energy sources may eventually have the potential of producing cheaper electricity. For example, the sun's rays or flowing water may have little or no fuel costs, as contrasted with the generally increasing cost of fossil fuels or nuclear fuel typically used by regulated utilities in their generating plants.

The Commission's Order dated June 3, 1980, enumerated as part of its responsibilities the determination of the rates, charges, and conditions for the sale of electricity and qualifying cogenerators or small power producers in North Carolina. In addition the Commission will determine the relative responsibilities of utilities and qualifying facilities with respect to system protection, service reliability, and other matters

affecting such service. Every two years the Commission reviews and updates the orders. The Commission determines separate avoided cost rates to be paid by Progress, Duke, N.C. Power (Vepco), and Western Carolina University to their respective qualifying facilities which are interconnected with them. Other related matters involving terms and conditions of service, contractual arrangements, and interconnection charges have also been reviewed and approved.

H. SOURCE AND DISPOSITION OF THE ELECTRIC OPERATING REVENUE DOLLAR

Both the source and disposition of the 2002 electric operating revenue dollar are shown by the pie charts on Figure No. 4-10. In 2002, fuel costs, (excluding purchased power) required only 19.0 cents while the remaining operation and maintenance costs required 26.6 cents. Shown in Figure No. 4-11 is comparative data reflecting the components percentage-wise for both the source and disposition of the electric operating revenue dollar for 2002. The chart in Figure No. 4-12 shows the fuel costs as a percent of total operational and maintenance expenses for the period 1997-2002.

I. ENERGY SALES

The major companies' total energy sales in North Carolina increased in 2002 compared to 2001 by 9.1% with more than 115 billion kilowatt-hours sold. Figure No. 4-13 shows energy sales by class of customer for the years 1997-2002.

J. STATISTICAL SUMMARY DATA

As shown in Figure No. 4-14, the total operating revenues for North Carolina operations for the major electric utilities increased 4.6% in 2002 compared to 2001.

North Carolina operating expenses, including taxes for the major companies, increased 3.6% in 2002 over 2001, and the net operating income for 2002 increased 9.2% from the previous year.

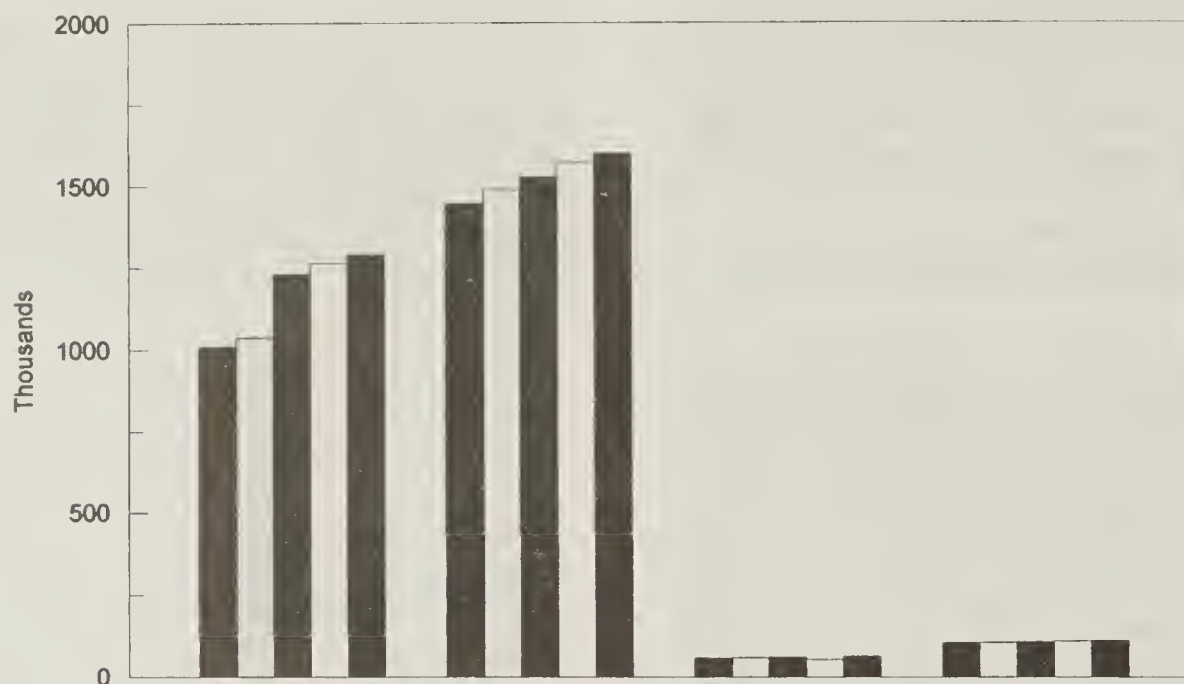
Total company net income available for common shareholders of the major companies was \$2,574,774,000 for 2002 compared to

\$2,784,043,000 for 2001. The number of common shares outstanding at year-end increased to 1,270,398,000 in 2002 from 1,146,442,000 in 2001. The earnings per share (year-end outstanding) at December 31, 2002, was \$2.03, down 16.5% from 2001.

Total salaries and wages paid North Carolina employees by major companies for 2002 was \$1,015,842,000, an increase of 9.0% from 2001. In 2002 the number of employees residing in North Carolina was 13,771 compared with 13,704 in 2002, a .5% increase.

Figure No. 4-5

Customer Growth for Major Electric Companies - All Classes



	CP&L	Duke	Nantahala	NC Power
■ 1998	1,007,788	1,445,552	57,867	104,529
▨ 1999	1,036,872	1,488,225	59,658	106,414
■ 2000	1,229,809	1,527,122	61,297	108,153
▨ 2001	1,262,766	1,571,518	52,858	109,716
■ 2002	1,290,668	1,597,658	64,289	111,816

North Carolina Data Only
SOURCE: 2002 FERC Form No. 1 - Annual Report of Major Electric Utilities, Licenses, and Others

FIGURE NO. 4-6

Average Annual Residential Consumption (kWh/Customer)

**1996, 1997, 1998, 1999, 2000, 2001, and 2002
(Four Privately Owned Major Utilities Only)**

UTILITIES	1996	1997	1998	1999	2000	2001	2002
N.C. Statewide Average	13,301	12,667	12,950	12,809	13,338	12,706	13,588
N.C. (Charlotte & Raleigh)(a)	13,379	12,635	13,061	12,887	13,444	12,793	13,691
S.C. (Columbia & Charleston)(b)	14,149	11,615	12,756	11,950	12,425	12,087	12,894
U.S. Average	9,720	9,800	10,609	10,388	10,471	10,520	9,821
N.C. (Charlotte & Raleigh) Higher/Lower(-) than S.C. (Columbia & Charleston)	-5.4%	8.8%	2.4%	7.8%	8.2%	5.8%	6.2%
Higher than U.S. Average	36.8%	29.3%	22.1%	23.3%	27.4%	20.8%	38.4%

(a) Charlotte--Served by Duke Power Co.
Raleigh--Served by CP&L
Simple average of the two used

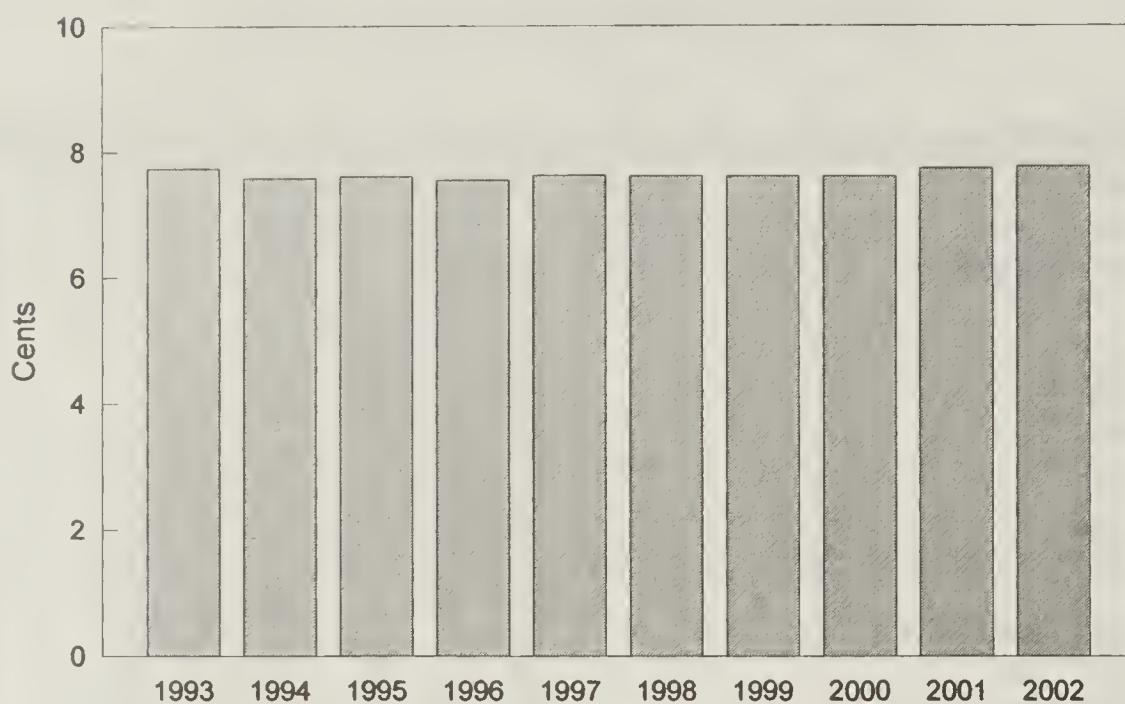
(b) Columbia & Charleston
Served by S.C. Electric & Gas Co.
Simple average of the two used

SOURCES:

N.C. Statewide Average--Computed from FERC Form No. 1: Annual Report of Major Electric Utilities Data
N.C. (Charlotte & Raleigh)--Computed from FERC Form No. 1: Annual Report of Major Electric Utilities Data
S.C. (Columbia & Charleston)--S.C. Electric & Gas Co.
U.S. Average--Computed From Table 5.4B of the Energy Information Administration/Electric Power Monthly
April 2003.

Figure No. 4-7

Residential Electric Service - Major Companies - Average Price per kWh



North Carolina Data Only

Average kWh Usage Per Customer and Cents Per kWh

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
13,022	12,718	13,000	13,301	12,667	12,950	12,809	13,338	12,706	13,588
7.74	7.58	7.61	7.55	7.61	7.62	7.61	7.61	7.74	7.77

Average Price of One kWh in Cents by Company

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
CP&L	8.31	8.23	8.03	7.85	7.91	7.90	7.93	7.90	8.04	8.13
Duke	7.35	7.35	7.30	7.30	7.36	7.38	7.34	7.36	7.47	7.46
Nantahala	6.59	7.05	7.09	7.23	7.58	7.61	7.54	7.39	7.64	7.65
NC Power	8.43	8.28	8.26	8.25	8.21	8.22	8.24	8.35	8.46	8.51

FIGURE NO. 4-8

**General Rate Increases Approved for Electric Companies
For the Year 2002**

Company	Date Filed	Docket Number	Amount Requested (000s)	Amount Approved (000s)	% Approved of Amount Requested	Date of Final Order
NO RATE CASES						
Total			\$0	\$0		

FIGURE NO. 4-9

COMPARATIVE TYPICAL RESIDENTIAL ELECTRIC BILLS
NINE SELECTED STATES, NORTH CAROLINA, AND U.S. AVERAGE
STATE AVERAGE MONTHLY BILLS-RESIDENTIAL SERVICE
(Cities of 2,500 Population and Over) Data as of January 1 of each year

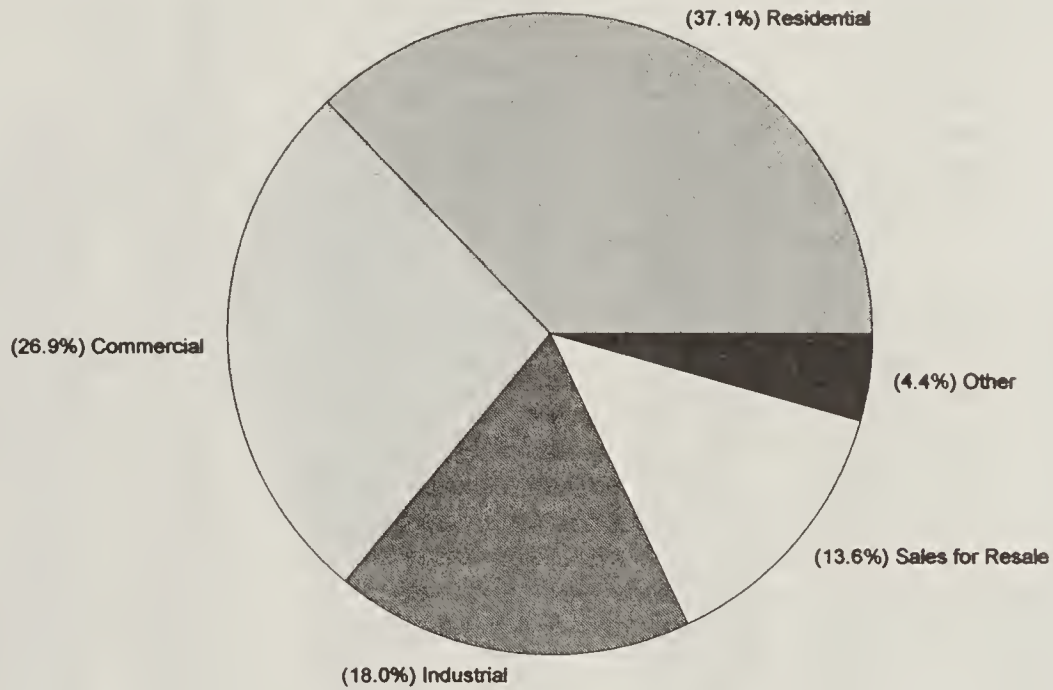
STATE:	500 kWh Assumed Consumption								750 kWh Assumed Consumption								1000 kWh Assumed Consumption															
	1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999	2000	2001	2002	2003
North Carolina	\$40.84	\$40.47	\$41.50	\$41.36	\$41.96	\$42.84	\$42.68	\$49.54	\$57.14	\$58.66	\$58.03	\$57.61	\$58.89	\$59.71	\$59.60	\$69.78	\$73.12	\$72.84	\$74.41	\$74.11	\$75.25	\$76.78	\$76.78	\$90.02	\$73.12	\$72.84	\$74.41	\$74.11	\$75.25	\$76.78	\$76.78	\$90.02
Alabama	39.83	40.01	40.01	41.29	42.01	43.23	44.18	42.98	55.97	56.22	56.22	57.52	58.61	60.44	61.65	60.07	89.14	88.46	89.46	70.76	72.22	74.66	76.55	74.21	89.14	88.46	89.46	70.76	72.22	74.66	76.55	74.21
California	51.27	51.42	45.49	45.49	45.45	44.86	51.99	58.63	78.21	76.37	70.10	70.10	70.12	68.48	88.64	95.77	105.91	105.90	94.73	94.73	94.82	92.10	115.77	129.91	105.91	105.90	94.73	94.73	94.82	92.10	115.77	129.91
Florida	43.00	42.09	40.71	42.15	41.11	43.40	45.35	43.94	60.47	59.15	58.09	59.22	57.72	61.15	64.06	61.68	78.58	76.63	73.88	78.91	74.94	79.52	83.40	60.40	78.58	76.63	73.88	78.91	74.94	79.52	83.40	60.40
Indiana	42.74	43.43	43.00	41.32	40.53	42.93	42.43	45.04	56.61	57.36	56.73	54.81	53.62	56.61	56.17	80.64	70.49	71.29	70.45	68.30	68.72	70.30	69.91	76.64	70.49	71.29	70.45	68.30	68.72	70.30	69.91	76.64
Maine	61.01	61.48	63.08	65.44	65.75	65.16	62.55	69.79	88.54	89.12	91.15	89.64	90.02	93.19	93.82	104.89	117.48	116.21	120.76	110.55	110.93	117.95	125.09	139.56	117.48	116.21	120.76	110.55	110.93	117.95	125.09	139.56
Michigan	37.31	37.51	38.10	37.80	36.21	38.44	39.09	39.92	53.38	54.04	54.20	53.69	54.46	54.80	57.25	56.23	69.31	70.62	70.07	66.44	70.49	70.96	75.42	78.56	69.31	70.62	70.07	66.44	70.49	70.96	75.42	78.56
Ohio	47.36	48.84	48.88	47.63	46.93	40.14	38.47	40.06	69.05	70.59	70.44	69.25	67.76	59.35	57.16	59.26	66.98	68.30	87.52	85.93	84.78	74.08	72.32	74.19	66.98	68.30	87.52	85.93	84.78	74.08	72.32	74.19
South Carolina	40.53	40.84	40.36	40.13	40.21	40.44	41.20	48.34	57.68	57.78	57.35	56.99	57.12	57.46	58.59	69.20	74.83	74.22	73.67	73.20	73.37	73.53	75.33	89.40	74.83	74.22	73.67	73.20	73.37	73.53	75.33	89.40
Virginia	40.06	38.22	40.55	36.74	38.11	35.60	36.95	38.99	56.41	53.63	57.07	52.00	53.92	50.29	54.79	54.85	71.78	68.79	72.64	66.11	68.22	63.88	69.54	69.82	71.78	68.79	72.64	66.11	68.22	63.88	69.54	69.82
United States	43.65	44.84	44.08	43.21	44.84	43.23	44.32	45.40	61.81	63.28	62.30	61.08	60.95	61.14	63.48	85.02	79.19	81.15	79.74	77.87	77.98	78.27	81.93	83.93	79.19	81.15	79.74	77.87	77.98	78.27	81.93	83.93
N. C. Rank (Low to High) (10 States Listed)	5th lowest	4th lowest	6th lowest	6th lowest	6th lowest	5th lowest	6th lowest	8th lowest	5th lowest	4th lowest	6th lowest	8th lowest	7th lowest	8th lowest	6th lowest	8th lowest	5th lowest	5th lowest	7th lowest	8th lowest	7th lowest	7th lowest	7th lowest	8th lowest	5th lowest	5th lowest	7th lowest	8th lowest	7th lowest	7th lowest	8th lowest	
N. C. Rank (Low to High) (50 States & DC)	26th lowest	24th lowest	29th lowest	30th lowest	30th lowest	27th lowest	28th lowest	36th lowest	28th lowest	25th lowest	29th lowest	30th lowest	29th lowest	29th lowest	28th lowest	37th lowest	28th lowest	28th lowest	31st lowest	30th lowest	33rd lowest	31st lowest	29th lowest	37th lowest	28th lowest	28th lowest	31st lowest	30th lowest	33rd lowest	31st lowest	29th lowest	37th lowest
% N. C. Average Higher/Lower(-) Than US Average	6.44%	9.34%	5.85%	4.28%	6.42%	1.36%	3.70%	-9.12%	7.56%	10.46%	6.85%	5.35%	3.71%	2.34%	5.80%	-7.32%	7.67%	10.49%	8.68%	4.83%	3.50%	1.90%	6.31%	-7.28%	7.67%	10.49%	8.68%	4.83%	3.50%	1.90%	6.31%	-7.28%

Source: Typical Electric Bills* for applicable years—Edison Electric Institute

FIGURE NO. 4-10

**Source and Disposition of the Operating Revenue Dollar
2002 Electric Companies (N. C. Operations Only)**

SOURCE:



DISPOSITION:

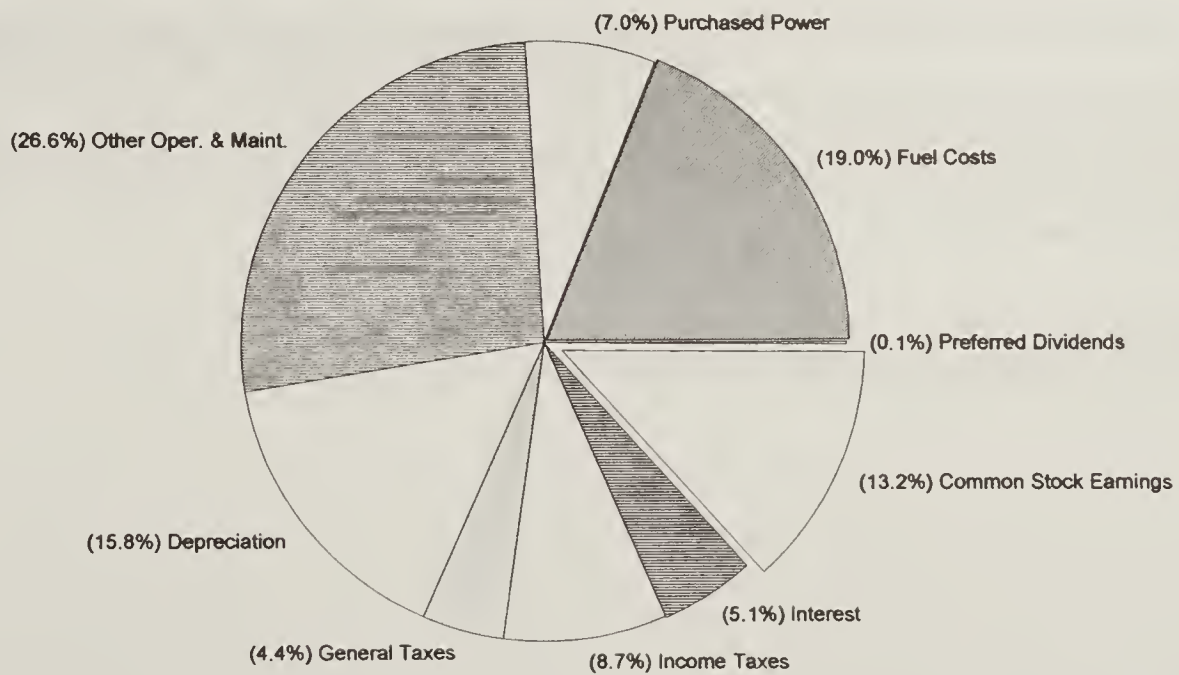


FIGURE NO. 4-11

**2002
SOURCE AND DISPOSITION OF THE OPERATING REVENUE DOLLAR
MAJOR ELECTRIC COMPANIES
NORTH CAROLINA OPERATIONS ONLY
(DOLLARS IN 000S)**

SOURCE:	REVENUE	% OF TOTAL
Residential	\$2,605,954	37.1%
Commercial	1,890,080	26.9%
Industrial	1,261,053	18.0%
Sales for Resale	952,126	13.6%
Other	307,480	4.4%
Total	\$7,016,693	100.0%

DISPOSITION:		
Fuel Costs	\$1,335,677	19.0%
Purchased Power	488,314	7.0%
Other Oper. & Maint.	1,868,113	26.7%
Depreciation	1,111,005	15.8%
Interest	358,916	5.1%
General Taxes	308,629	4.4%
Income Taxes	611,110	8.7%
Preferred Dividends	9,729	0.1%
Common Stock Earnings	925,200	13.2%
Total	\$7,016,693	100.0%

FIGURE NO. 4-12

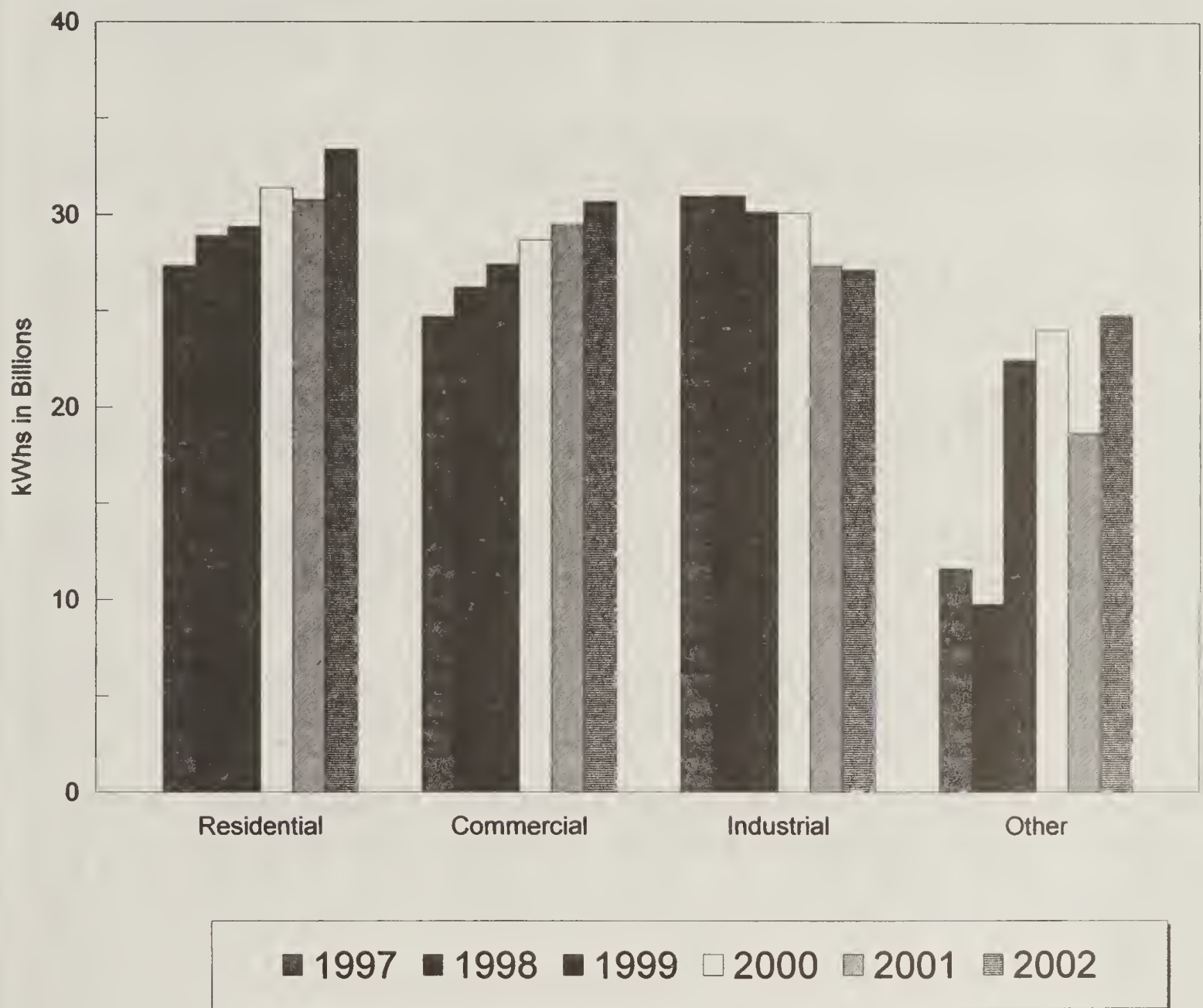
**FUEL COSTS (1)
(DOLLARS IN 000S)**

ITEM	1997	1998	1999	2000	2001	2002
Fuel Costs	\$1,043,456	\$1,091,092	\$1,069,554	\$1,174,163	\$1,200,694	\$1,335,677
Purchased Power Costs (Fuel and Nonfuel)	563,500	512,255	486,232	456,660	465,039	488,314
Other Operating & Maintenance Expenses	1,505,178	1,505,902	1,646,053	1,750,173	1,820,982	1,868,113
Total Operating & Maintenance Expenses	\$3,112,134	\$3,109,249	\$3,201,839	\$3,380,996	\$3,486,715	\$3,692,104
Fuel Costs as a % of Total Operating & Maintenance Expenses (2)	33.5%	35.1%	33.4%	34.7%	34.4%	36.2%

(1) Source: FERC Form No. 1: Annual Report of Major Electric Utilities

(2) Fuel Costs percentage does not include Purchased Power

Figure No. 4-13
Energy Sales by Class-Major Companies



North Carolina Data Only

FIGURE NO. 4-14A
MAJOR ELECTRIC COMPANIES--NORTH CAROLINA DATA AND SELECTED SYSTEMWIDE DATA
Income Statement, Balance Sheet, and Other Statistical Items (Dollars in 000s)
For the Years 1996, 1997, 1998, 1999, 2000, 2001, and 2002

Item	1996	1997	1998	1999	2000	2001	2002	% Change 2001-2002
No. of Companies Regulated and Included in this Data	4	4	4	4	4	4	4	
INCOME STATEMENT (NC ONLY):								
Income Items:								
Residential Sales	\$2,124,476	\$2,092,403	\$2,195,857	\$2,234,176	\$2,388,023	\$2,380,440	\$2,605,954	9.5
Commercial Sales	1,456,839	1,501,137	1,571,295	1,634,738	1,730,720	1,789,356	1,890,080	5.6
Industrial Sales	1,389,214	1,426,480	1,411,970	1,352,514	1,357,757	1,272,968	1,261,053	(0.9)
Sales for Resale	674,129	779,336	904,878	952,451	942,163	944,888	952,126	0.8
All Other Operating Revenue	373,921	226,535	230,984	182,581	306,332	320,795	307,480	(4.2)
Total Operating Revenue	\$6,018,579	\$6,025,891	\$6,314,984	\$6,356,460	\$6,724,995	\$6,708,447	\$7,016,693	4.6
Expense Items:								
Power Production Expense	\$2,301,827	\$2,267,964	\$2,298,548	\$2,242,295	\$2,317,231	\$2,460,108	\$2,603,359	5.8
Transmission Expense	48,731	53,776	67,541	71,782	73,874	87,954	80,265	(8.7)
Distribution Expense	203,341	139,526	145,331	172,094	182,819	166,816	247,215	48.2
Customer Accounts Expense	103,120	96,586	100,128	101,753	111,171	114,933	114,125	(0.7)
Customer Service & Informational Expense	53,154	49,430	57,343	57,552	39,042	25,909	26,834	3.6
Sales Expense	8,273	8,660	7,258	6,830	6,592	12,413	10,982	(11.5)
Administrative & General Expense	468,810	496,192	433,100	549,533	650,267	618,582	600,968	(2.8)
Depreciation Expense	590,323	663,308	992,733	934,053	1,222,599	1,090,991	1,111,005	1.8
Total Expenses Before Taxes	\$3,777,579	\$3,775,442	\$4,101,982	\$4,135,892	\$4,603,595	\$4,577,706	\$4,794,753	4.7
State Taxes:								
Income Tax	\$97,738	\$117,798	\$132,346	\$119,743	\$118,741	\$116,049	\$77,234	(33.4)
Gross Receipts Tax	167,351	169,589	177,781	177,200	179,642	186,654	194,798	4.4
Property Tax	96,560	90,833	87,140	86,467	85,944	93,685	91,649	(2.2)
Other Operating Taxes	362,959	338,333	18,594	105,985	36,517	31,278	133,738	N/COMP
Total State Taxes	\$724,608	\$716,553	\$415,861	\$489,395	\$420,844	\$427,666	\$497,419	16.3
Federal Taxes:								
Income Tax	\$409,154	\$534,179	\$657,088	\$654,670	\$565,935	\$659,176	\$533,876	(19.0)
Provision for Deferred Income Tax	158,136	(106,577)	(135,549)	(150,949)	(117,207)	(210,507)	(138,548)	(34.2)
Income Tax Deferred In Prior Years	(168,504)	(41,185)	(25,898)	(5,747)	0	0	(36,417)	N/COMP
Investment Tax Credit	(17,929)	(17,362)	755	(21,258)	(12,836)	(20,813)	(19,309)	(7.2)
Payroll, Unemployment, & Other Federal Taxes	68,096	82,638	71,326	82,710	80,219	82,210	82,718	0.6
Total Federal Taxes	\$448,953	\$451,693	\$567,722	\$559,426	\$516,111	\$510,066	\$422,320	(17.2)
Total State & Federal Taxes	\$1,173,561	\$1,168,246	\$983,583	\$1,048,821	\$936,955	\$937,732	\$919,739	(1.9)
Total Operating Expenses	\$4,951,140	\$4,943,688	\$5,085,565	\$5,184,713	\$5,540,550	\$5,515,438	\$5,714,492	3.6
Net Operating Income	\$1,067,439	\$1,082,203	\$1,229,419	\$1,171,747	\$1,184,445	\$1,193,009	\$1,302,201	9.2
Other Income & Expenses:								
Other Income	\$132,355	\$330,720	\$385,079	\$861,308	\$873,996	\$933,838	\$458,829	(50.9)
Allowance for Funds Used During Construction	11,414	16,065	10,327	10,635	19,541	23,720	37,283	57.2
Deductions From Income	(7,166)	59,318	8,706	(53,504)	(26,807)	26,236	210,607	N/COMP
Taxes on Other Income	1,146	(37,428)	(55,242)	12,557	11,180	(29,123)	(23,036)	N/COMP
Net Other Income & Expense	\$149,789	\$324,895	\$441,942	\$912,890	\$909,164	\$960,445	\$308,541	(67.9)

N/COMP = Not Comparable

FIGURE NO. 4-14B
MAJOR ELECTRIC COMPANIES--NORTH CAROLINA DATA AND SELECTED SYSTEMWIDE DATA
Income Statement, Balance Sheet, and Other Statistical Items (Dollars in 000s)
For the Years 1996, 1997, 1998, 1999, 2000, 2001, and 2002

Item	1996	1997	1998	1999	2000	2001	2002	% Change 2001-2002
Fixed Charges:								
Interest on Funded Debt	\$329,895	\$316,331	\$339,642	\$333,041	\$367,631	\$389,501	\$385,963	(0.9)
Other Fixed Charges	45,480	46,814	83,143	63,909	79,721	57,935	31,476	(45.7)
AFUDC	12,115	14,832	10,870	14,130	19,814	21,897	35,880	63.9
Total Fixed Charges	\$363,260	\$348,313	\$411,915	\$382,820	\$427,538	\$425,539	\$381,559	(10.3)
Extraordinary Income:	1,021	0	0	(341,934)	0	(18,004)	0	N/COMP
Net Income	\$854,989	\$1,058,785	\$1,259,446	\$1,359,883	\$1,666,071	\$1,709,911	\$1,229,183	(28.1)
BALANCE SHEET:								
Assets:								
Utility Plant	\$19,503,751	\$19,914,811	\$20,767,281	\$20,913,986	\$21,709,360	\$24,237,367	\$25,636,068	5.8
Depreciation Reserve	7,331,830	7,804,683	8,456,356	8,791,287	9,579,125	10,741,954	11,581,528	7.8
Net Plant	\$12,171,922	\$12,110,128	\$12,310,925	\$12,122,700	\$12,130,235	\$13,495,413	\$14,054,540	4.1
Nonutility Property	34,233	35,446	43,087	35,603	41,478	36,160	54,872	51.7
Other Investments	1,386,982	3,458,614	4,245,499	5,638,184	5,810,993	7,790,301	10,780,554	38.4
Cash	13,503	11,686	12,977	140,832	31,108	32,100	32,870	2.4
Temporary Cash Investments	917	299	718	2,772	11,001	801	3,264	N/COMP
Customer Accounts Receivable	607,891	638,730	701,678	920,261	876,812	943,972	699,144	(25.9)
Plant Material & Operating Supplies	219,677	237,311	264,467	262,289	288,967	355,138	370,647	4.4
Prepayments	82,438	52,504	24,240	40,759	232,535	252,214	313,722	24.4
Interest & Dividends Receivable	22,488	36,160	34,878	48,070	77,832	42,343	40,772	(3.7)
Other Current & Accrued Assets	268,702	761,641	807,116	1,918,572	1,858,611	1,966,004	1,752,817	(10.8)
Unamortized Debt Expense	11,084	17,923	10,777	10,649	16,015	16,589	18,397	10.9
Miscellaneous Deferred Debits	749,854	717,002	662,382	559,688	424,222	333,273	207,596	(37.7)
Accumulated Deferred Income Taxes	767,789	803,565	871,881	1,083,608	1,024,161	1,142,181	1,523,471	33.4
Other Deferred Debits	2,154,647	1,538,950	1,410,167	121,090	108,626	123,600	158,548	28.3
Total Assets	\$18,492,127	\$20,419,959	\$21,400,792	\$22,905,077	\$22,932,596	\$26,530,089	\$30,011,214	13.1
Liabilities & Stockholder's Equity:								
Liabilities:								
Accounts Payable	\$440,066	\$517,419	\$625,769	\$581,428	\$817,007	\$755,716	\$715,525	(5.3)
Notes Payable	535,451	248,930	583,298	1,099,498	642,108	837,790	562,175	(32.9)
Total Long-Term Debt	4,693,975	5,013,127	5,033,663	5,154,179	5,823,581	5,760,029	6,761,933	17.4
Taxes Accrued	(16,536)	20,921	(35,210)	(34,260)	(71,300)	253,571	167,363	(34.0)
Miscellaneous Current & Accrued Liabilities	171,065	215,478	218,517	198,988	234,407	278,500	1,168,985	N/COMP
Other Current & Accrued Liabilities	552,588	148,414	143,754	154,481	97,628	183,961	176,585	(4.0)
Accumulated Deferred Investment Tax Credit	385,508	365,833	354,440	323,174	307,534	285,976	269,705	(5.7)
Accumulated Deferred Income Tax	4,082,199	4,016,059	4,031,104	3,849,501	3,794,918	3,932,628	3,908,112	(0.6)
Other Deferred Credits	877,481	1,404,359	1,475,491	1,999,013	1,697,733	1,806,920	1,697,098	(6.1)
Total Liabilities	\$11,721,797	\$11,950,540	\$12,430,826	\$13,326,002	\$13,343,616	\$14,095,091	\$15,427,481	9.5

N/COMP= Not Comparable

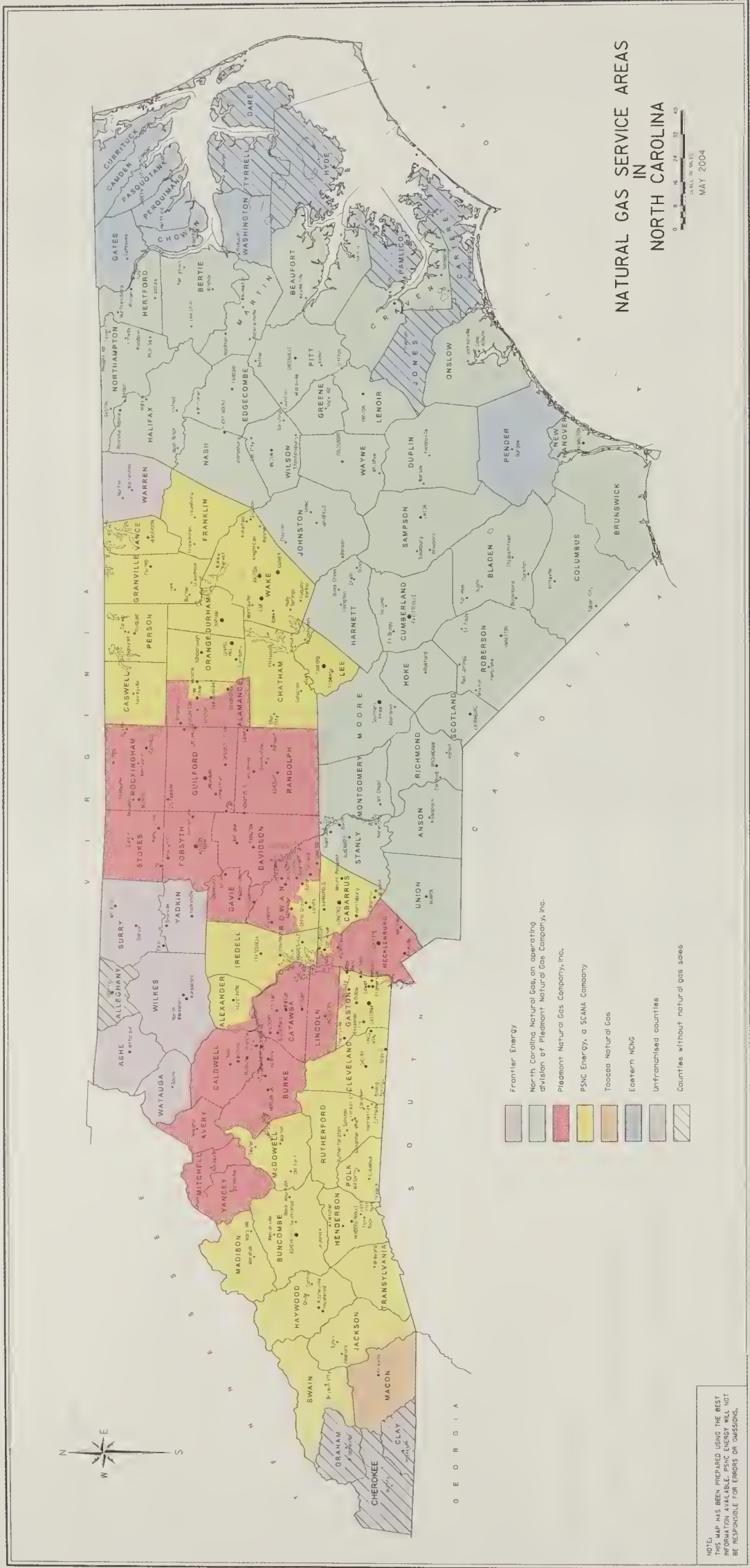
FIGURE NO. 4-14C
MAJOR ELECTRIC COMPANIES--NORTH CAROLINA DATA AND SELECTED SYSTEMWIDE DATA
Income Statement, Balance Sheet, and Other Statistical Items (Dollars in 000s)
For the Years 1996, 1997, 1998, 1999, 2000, 2001, and 2002

Item	1996	1997	1998	1999	2000	2001	2002	% Change 2001-2002
Stockholder's Equity:								
Preferred Stock	634,342	417,208	308,043	284,068	250,324	242,929	180,354	(25.8)
Common Stock	2,610,518	4,273,014	4,429,191	4,682,867	4,727,258	6,115,411	8,668,051	41.7
Other Paid in Capital	(7,762)	(9,022)	(1,230)	4,423	33,618	511,551	197,666	N/COMP
Retained Earnings	3,261,913	3,248,048	3,380,443	3,057,669	2,431,018	2,468,883	2,450,838	(0.7)
Other	271,319	540,171	853,519	1,550,048	2,146,762	3,096,224	3,086,824	(0.3)
Total Stockholder's Equity	\$6,770,330	\$8,469,419	\$8,969,966	\$9,579,075	\$9,588,980	\$12,434,998	\$14,583,733	17.3
Total Liabilities & Stockholder's Equity	\$18,492,127	\$20,419,959	\$21,400,792	\$22,905,077	\$22,932,596	\$26,530,089	\$30,011,214	13.1
STATISTICAL INFORMATION (N.C. ONLY):								
Systems Sales to Ultimate Consumer (kWh in 000s)	83,955,415	84,774,244	87,619,246	95,401,992	99,084,792	96,155,120	100,274,950	4.3
System Sales for Resale (kWh in 000s)	18,361,578	19,074,743	21,610,116	21,712,531	23,079,104	20,486,730	23,995,215	17.1
Total Sales to Ultimate Customers & For Resale (kWh in 000s)	102,316,993	103,848,987	109,229,362	117,114,523	122,102,943	116,641,850	124,270,165	6.5
Total Customers--Yearly Average	2,480,177	2,546,414	2,615,736	2,691,169	2,926,381	3,006,858	3,064,431	1.9
Average Number kWhs Used per Residential Customer	13,301	12,667	12,950	12,809	12,821	12,706	13,588	6.9
Average Revenue per kWh--Residential Customer (cents per kWh)	7.55	7.61	7.62	7.61	7.61	7.74	7.77	0.4
Number of Employees Residing in N. C.	17,164	15,974	15,280	14,723	15,613	13,704	13,771	0.5
Wages & Salaries Paid N. C. Employees	\$931,777	\$943,203	\$917,377	\$893,299	\$943,970	\$931,955	\$1,015,842	9.0
SYSTEMWIDE DATA:								
Operating Revenues	\$11,838,805	\$12,022,049	\$11,991,619	\$12,345,427	\$12,877,846	\$12,907,989	\$13,440,187	4.1
Operating Expenses	9,680,322	9,899,400	9,837,631	10,068,533	10,567,345	10,757,003	10,782,259	0.2
Net Operating Income	\$2,158,483	\$2,122,649	\$2,153,988	\$2,276,894	\$2,310,501	\$2,150,986	\$2,657,928	23.6
Net Other Income (Expense)	(573,670)	(27,465)	78,140	911,431	858,696	592,649	(114,304)	(119.3)
Net Income	\$1,584,813	\$2,095,184	\$2,232,128	\$3,188,325	\$3,169,197	\$2,743,635	\$2,543,624	(7.3)
Preferred Dividends	89,413	113,268	54,038	60,305	57,255	40,408	31,150	(22.9)
Net Income for Common Shareholders	\$1,495,400	\$1,981,916	\$2,178,090	\$3,128,020	\$3,111,942	\$2,784,043	\$2,574,774	(7.5)
STATISTICAL INFORMATION (SYSTEMWIDE):								
Long-Term Debt	\$9,941,882	\$10,389,070	\$10,328,424	\$10,644,684	\$11,649,496	\$11,475,339	\$12,900,997	12.4
Total Capitalization	23,304,278	26,334,447	26,678,574	28,087,613	29,485,363	32,039,414	25,485,365	(20.5)
Long-Term Debt % of Total Capitalization	42.7	39.5	38.7	37.9	39.5	35.8	50.6	41.3
Shares of Common Stock Outstanding--Year End (000s)	562,692	750,872	724,017	735,631	1,108,587	1,146,442	1,270,398	10.8
Average Earnings Per Share--Shares at Year End (After Preferred Stock Dividends)	\$2.82	\$2.75	\$3.01	\$4.42	\$2.91	\$2.43	\$2.03	(16.5)

N/COMP = Not Comparable



V. The Natural Gas Industry



THE NATURAL GAS INDUSTRY

A. A BRIEF HISTORY OF THE NATURAL GAS INDUSTRY

The North Carolina Utilities Commission regulated three Class A natural gas local distribution companies (LDCs) in 2002. They were as follows: North Carolina Natural Gas Corporation; Piedmont Natural Gas Company, Inc.; and Public Service Company of North Carolina, Inc. Class A utilities have annual gross operating revenues of \$2,500,000 or more. Figure No. 5-1 is a map illustration of natural gas service areas in North Carolina. Figure No. 5-2 is a list of the regulated companies and Figure No. 5-3 is a list of the North Carolina Municipal Gas Systems.

North Carolina Natural Gas Corporation (NCNG) is a public utility, subject to regulation by the North Carolina Utilities Commission which provides natural gas service to over 176,000 customers in an area over 25,000 square miles of eastern and south central North Carolina, including residential, commercial, and industrial customers in 86 towns and cities and four municipal gas distribution systems. Commission approval was granted for the use of gas expansion funds for the 71-mile extension of the Company's pipeline into Duplin and Onslow Counties which includes the City of Jacksonville and the nearby Camp Lejeune Marine base. As of April 1, 2004, NCNG had withdrawn \$16,630,400.00 from the gas expansion fund administered by the Utilities Commission for its Onslow/Duplin Counties expansion project. On November 19, 1998, the Commission approved use of expansion funds by NCNG for a 44-mile eight-inch pipeline from Ahoskie into Bertie and Martin counties. As of April 1, 2004, \$8,340,948.00 had been withdrawn from the gas expansion fund for the Bertie/Martin project. NCNG has withdrawn \$3,400,000.00 as of April 1, 2004, for its Columbus County project.

Commission approval was granted on June 26, 2003, for the merger of Piedmont and NCNG.

Public Service Company of North Carolina Inc. (PSNC) was incorporated in 1938, and currently serves natural gas customers in 95 cities and communities. Public Service Company of North Carolina became a wholly owned subsidiary of SCANA Corporation to become PSNC Energy as approved by Commission Order dated December 7, 1999, in Docket No. G-5, Sub 400. PSNC continues to maintain and issue its own debt and remains a separate entity from SCANA with its own Commission approved capital structure. The 31-county service area is approximately 10,000 square miles with a population of more than 2,300,000. PSNC delivers natural gas products and services to residential, commercial, industrial, transportation, and electric power generation customers as well as to other local distribution companies. PSNC's customer growth has been at a rate of over 5% a year expanding its customer base of 220,000 in 1990 to 383,862 in 2002. PSNC withdrew \$7,781,000.00 from the gas expansion fund for an expansion project in McDowell County which was completed in December 1996, and \$4,127,297.00 for the Haywood County project extending service to western Haywood County including Waynesville, Clyde, and Lake Junaluska completed in July 1998. On July 6, 1998, PSNC requested approval of \$4,918,000.00 from the expansion fund for a project to extend natural gas service into Alexander County. Hearings were held in November 1998 and an Order in Docket No. G-5, Sub 391 was issued on February 22, 1999, approving this request. PSNC withdrew \$4,301,380.00 from the gas expansion fund to complete this project. Approval was granted in Docket No. G-5, Sub 410, to extend natural gas service into Madison, Jackson, and Swain Counties. As of April 1, 2004, PSNC has been reimbursed \$20,642,908.02 from the gas expansion fund for this project.

Piedmont Natural Gas Company, Inc. (Piedmont) is a diversified energy and services company primarily engaged in the purchase, distribution, and sale of natural and propane gas to 740,000 residential, commercial, and industrial customers in North

Carolina, South Carolina, and Tennessee. Of these, 427,040 are North Carolina customers. Piedmont and its subsidiaries are also engaged in the acquisition, marketing, and transportation of natural gas supplies, in oil and gas exploration and development, and in the sale of propane and associated products, commercial and industrial coal and fuel oil, and residential and commercial gas appliances. Piedmont's utility operations are subject to regulation by the North Carolina Utilities Commission, the Tennessee Public Service Commission, and the Public Service Commission of South Carolina.

In June 1998 Piedmont requested approval to use expansion funds to extend natural gas service to Avery, Mitchell, and Yancey counties which were unserved. The Commission approved this request in Docket No. G-9, Sub 408, on March 16, 1999. Piedmont had withdrawn \$38,626,690.00 for this project as of April 1, 2004.

North Carolina Gas Service was purchased by Piedmont effective September 30, 2002.

PSNC and Piedmont Natural Gas Company, Inc., formed **Cardinal Pipeline Company, LLC** in March 1994 to construct an intrastate transmission pipeline. This 24-inch diameter natural gas pipeline was placed into service on December 31, 1994, and extends 37.5 miles from a connection with Transcontinental Gas Pipeline Corporation (TRANSCO) near Reidsville to Burlington where it connects to pipelines of PSNC and Piedmont. A second project is a 65-mile extension of the pipeline to a point southeast of Raleigh.

Pine Needle LNG Company, LLC (Pine Needle), was formed by Transco, Piedmont, NCNG, Amerada Hess, PSNC, and the Municipal Gas Authority of Georgia to own and operate a liquefied natural gas storage facility with a capacity of four billion cubic feet. The Federal Energy Regulatory Commission issued an order granting a certificate on November 27, 1996, authorizing construction. The North Carolina Utilities Commission appealed this order, but after signing an agreement with Pine Needle later withdrew its appeal.

Frontier Utilities LLC, (Frontier) filed an application on September 23, 1994, for a Certificate of Public Convenience and Necessity to construct, own, and operate an intrastate pipeline and local distribution system to serve Surry, Wilkes, and Yadkin Counties, and later amended their application to include Watauga County, collectively "The Four County area." This certificate was granted in consolidated Docket Nos. G-38, and G-9, Sub 357, on January 30, 1996. Ashe and Alleghany Counties were added to Frontier Utilities' certificated territory on August 16, 1996, in Docket No. G-100, Sub 69. Frontier received a Certificate of Public Convenience and Necessity to construct and operate a natural gas transmission and distribution system in Warren County in Docket No. G-38, Sub 1, on March 27, 1997. Frontier's North Carolina operations serves an estimated 2,808 square miles. Frontier received a total disbursement of \$2,404,850.00 for the completion of its Warren County Project from the natural gas bond fund. As of April 1, 2004, \$9,278,768.00 has been disbursed for the completion of the Ashe County project.

B. PLANT INVESTMENT AND EXPANSION

The LDCs continued expansion of services by investing in the plant facilities for the 2002 calendar year. At December 31, 2002, their combined North Carolina total gross investment for the year was \$2,756,204,000. This represents a decrease of 3.89% from the preceding year. Figure No. 5-4 gives the gross plant investment for the natural gas companies for the period 1968-2002.

Gas Expansion Fund: The General Assembly enacted G.S. 62-158 on July 8, 1991, which authorized the Commission to order the establishment for the LDCs of special natural gas expansion funds to be used to construct natural gas facilities in areas of their franchised territory that otherwise would not be feasible to construct. On April 9, 1992, the Commission issued an Order in Docket No. G-100, Sub 57, adopting Rules R6-81 to R6-88 to implement

G.S. 62-158. NCNG, PSNC, and Piedmont filed petitions with the Commission to establish expansion funds in 1993, all of which have been approved by the Commission. As of April 1, 2004, NCNG had withdrawn the following amounts from the gas expansion fund: Duplin/Onslow Counties Project, \$16,630,400.00; Bertie/Martin Counties Project, \$8,340,948.00 and \$3,400,000.00 for the Columbus County project. Piedmont had withdrawn \$38,626,690.00 for the Avery, Yancey, and Mitchell Counties Project. PSNC had withdrawn \$7,781,000.00 for the McDowell County Project; \$4,127,297.00 for the Haywood County Project; \$4,301,380.00 for the Alexander County Project; and \$20,642,908.02 for the Madison, Jackson, and Swain Counties Project.

Natural Gas Bond Funds: The Clean Water and Natural Gas Critical Needs Bond Act of 1998 included G.S. 62-159, which authorized the Utilities Commission to provide funding through the proceeds of general obligations bonds for the construction of natural gas facilities in unserved areas that it would otherwise not be economically feasible to construct.

On November 3, 1998, voters approved the issuance of \$200 million in general obligation bonds for natural gas expansion, and on November 16, 1998, the Commission initiated a rulemaking proceeding to implement this section.

Frontier Energy LLC requested funds from the natural gas bond funds, and this request was approved by the Commission in Docket No. G-40, Sub 2. After a thorough audit of records submitted to the Public Staff Accounting Division, a disbursement was made to Frontier in the amount of \$2,310,874.00 on May 11, 2000, for the Warren County Project. A final disbursement to Frontier for the Warren County project in the amount of \$93,976.00 was made on January 19, 2001, for a total disbursement for the Warren County Project of \$2,404,850.00. In Docket No. G-40, Sub 3, \$9,278,768.00 was approved for use by Frontier in Ashe County. As of April 1, 2004, \$9,278,768.00 has been disbursed for Ashe County. Eastern

N.C. Natural Gas Co., in Docket No. G-44, received approval of \$188,316,382.00 gas bond funds for Currituck, Camden, Pasquotank, Gates, Perquimans, Chowan, Washington, Tyrrell, Dare, Hyde, Pamlico, Jones, Carteret, and Pender Counties. As of April 1, 2004, \$115,192,133.23 has been disbursed to Eastern. This brings the total disbursement of gas bond funds as of April 1, 2004, to \$126,875,751.23.

C. GROWTH TRENDS--CUSTOMERS, REVENUES, VOLUME

In 2002 the annual average number of natural gas utility customers increased 2.3% from the previous year. Figure No. 5-5 shows numerically the customers by classification for the years 1968-2002. Figure No. 5-6 shows graphically the customer growth for the years 1996-2002 by major customer classification.

Figure No. 5-7 shows graphically the sales volume of natural gas to the classes of ultimate consumers in millions of dekatherms by the North Carolina regulated natural gas companies for the years 1997-2002 by major customer classification.

Figure No. 5-8 is a summary of natural gas sales of dekatherms and revenues, by customer classification for the years 1997-2002.

In 2002 industrial sales totaled more than 28 million dekatherms. This reflects a 44% increase from the 2001 sales. Total industrial sales of dekatherms accounted for 13.3% of total natural gas sales in North Carolina by the regulated natural gas companies. Residential sales accounted for 26.5% of the total dekatherm sales; an increase of 3%.

Figure No. 5-9 shows total customer growth, total revenues from the dekatherms of gas sold and transported by the LDCs, and the municipal gas systems for the years 2001 and 2002.

The municipals experienced a 6.9% decrease in the number of customers in 2002 over 2001, while the regulated gas utilities grew by 2.2%. Revenues from the sales of gas in 2002 decreased at a rate of 19.0% for

the regulated gas companies and decreased at a rate of 42.7% for the municipals. The quantity of gas sold in terms of dekatherms in 2002 increased 11.0% for the regulated companies and decreased 26.1% for the municipals, for a combined increase of 7.3%. Footnoted on Figure No. 5-9A is the fact that NUI was purchased by Piedmont on September 30, 2002.

In addition to natural gas sold to customers, the LDCs also transport gas for end users. This transported gas is neither bought nor sold by the LDCs, but is transported to the ultimate consumer at a rate that will not reduce margin to the LDC. Since 1983 when gas transported for others was about 1.4% of all gas delivered to ultimate consumers, this portion at 2002 constituted 83,923,000 dekatherms or 39.4% of all gas delivered to ultimate consumers. See Figure No. 5-8A.

D. COMPARISONS OF RESIDENTIAL BILLS, USAGE, AND COST PER DEKATHERM

The average annual usages and cost data for the North Carolina natural gas companies are shown in Figure No. 5-10. The weighted average cost rate per dekatherm of the North Carolina customers is somewhat lower than the national average.

E. GAS TRACKINGS--PASS ONS--SPECIAL SITUATIONS, AND GENERAL RATE CASES

Wholesale Price Changes: Pursuant to authority granted to the Utilities Commission in G.S. 62-133 by the 1971 General Assembly, the Commission, in Docket No. G-100, Sub 14, established procedures under which gas companies in North Carolina could pass on to their customers wholesale increases in the cost of gas to them by their pipeline suppliers. This tracking authority has reduced the amount and number of general rate cases filed with the Commission during the years since 1972. It has also reduced the lag time the companies would have experienced in

recouping the increased gas costs which have a direct impact on the companies' level of earnings. Figure No. 5-11 shows the gas tracking changes approved by the Commission for the calendar year 2002.

Special Situations: These gas trackings can be both increases and decreases in the cost of wholesale gas from pipeline suppliers. The distributing companies maintain a "deferred" account in which the changes in cost of gas from the filed tariff rate are accounted for, and at an appropriate time applications to receive or refund the net effect are made with the Commission. The tracking proceedings under which these pass-ons are allowed involves filing of data by gas utilities essentially in the same format as filing for general rate proceedings. This data is reviewed and analyzed by both the Commission and Public Staff's Engineering and Accounting Divisions.

MECHANISMS FOR TRACKING MARGIN FLUCTUATIONS, GAS COST CHANGES, AND OTHER REVENUE CHANGES: Following is a list of trackers and mechanisms authorized by the North Carolina Utilities Commission to allow recovery of changes in gas costs, exploration, and margin fluctuations for the natural gas utilities.

Rider D: The Rider D mechanism was approved by the Commission in 1986 and gave companies an opportunity to offset losses resulting from customers negotiating lower gas prices in lieu of purchasing alternate fuels. PSNC and Piedmont made proposals and were granted the Rider D mechanism. In 1988 Pennsylvania and Southern's N.C. Gas Service Division (now NUI North Carolina Gas) requested and received the Rider D mechanism, while Piedmont dropped the mechanism and implemented its Purchased Gas Adjustment Procedures. Under the Rider D, the purchased gas adjustment procedure enables the LDC to negotiate lower rates with customers and to recover any margin losses resulting thereof by spot market purchases. In summary the Rider D allows losses in margin, resulting from negotiating prices

downward, to be offset by savings achieved through the company purchasing lower cost spot gas. In 1991, G.S. 62-133.4 was amended which led to Commission Rule R1-17(k)3 which in effect establishes all LDCs with a "Rider D" type mechanism.

Weather Normalization Adjustment (WNA) was approved by the Commission in the 1991 general rate cases of Piedmont, PSNC, and NCNG and began in the 1991-1992 winter heating season. The WNA was approved and began in December 1993 for NUI North Carolina Gas. The mechanism adjusts heat-sensitive customers' bills to reflect normal weather during the winter heating season. Monthly credits or surcharges are made to customers' bills based on the deviation of actual heating degree days from that of long-term normal weather. The adjustments surcharged to heat-sensitive customers by the four LDCs for the fiscal years' heating season were as follows:

1991-1992	\$14,349,016
1992-1993	\$ 1,471,616
1993-1994	\$ 1,082,904
1994-1995	\$13,761,829
1995-1996	(\$16,846,280)*
1996-1997	\$14,334,699
1997-1998	\$ 7,452,870
1998-1999	\$22,624,110
1999-2000	\$17,095,698
2000-2001	(\$11,395,880)
2001-2002	\$26,171,684
2002-2003	(\$12,694,637)

*Colder than normal weather for the 1995-1996 winter resulted in this first time net credit to gas customers.

Rate Cases: There was one rate increase approved for Piedmont Natural Gas Company by the Commission in 2002. See Figure 5-12.

F. NATURAL GAS PIPELINE SAFETY

History and Overview: Public Law 90-481, better known as the Natural Gas Pipeline Safety Act of 1968 was passed on August 12, 1968, by the United States Congress. This Act authorized the Secretary

of Transportation to administer this law, develop standards, and regulate enforcement of such standards for the design, installation, inspection, testing, construction, extension, operation, replacement, and maintenance of pipeline facilities. Section 60105A of this Act authorized each state to regulate these minimum standards through certification by the Secretary of Transportation providing certain provisions are met. Section 62-50 (Safety Standards of Interstate and Intrastate Natural Gas Pipelines) was enacted as Chapter 1134 of the 1967 Session Laws and became effective on January 1, 1968. In the 1969 Legislature an amendment was added to Section 62-50 of the General Statutes which authorized the North Carolina Utilities Commission to administer a state program pertaining to the design, installation, inspection, testing, construction, extension, operation, replacement, and maintenance of pipeline facilities used to transport natural gas in North Carolina.

The procedures and standards adopted by the North Carolina Utilities Commission as authorized under Section 62-50 is known as the North Carolina Gas Pipeline Safety Code. This code is a mandatory requirement under state law and noncompliance by any persons engaged in the transportation of gas or persons who own or operate pipeline facilities are subject to a civil penalty not to exceed \$25,000 per violation for each day that such violations persist, except that the maximum civil penalty shall not exceed \$500,000 for any related series of violations. The law also provides authority for the Commission to file suit to restrain violations of the Code, including the restraint of transportation of gas for the operation of the pipeline facilities. The North Carolina Gas Pipeline Safety Code is comprised of five basic sections: Part 191 (Report of Leaks), Part 192 (Minimum Federal Safety Standards), Part 193 (Liquefied Natural Gas Facilities) Part 198 (Grants), and Part 199 (Drug Enforcement). In order to comply with the certification of the Secretary of Transportation, the Commission must adopt as part of its Code all minimum federal safety standards.

There are six major gas utilities, eight municipal gas systems, three landfill gas systems, one intrastate transmission system, and fifteen cities or towns which have Public Housing Authorities gas systems in North Carolina. These systems comprise 84 inspection units which are inspected on an annual basis for compliance with the North Carolina Gas Pipeline Safety Code. These systems include 2,907 miles of transmission mains and 23,082 miles of distribution mains serving 1,104,580 customers in North Carolina.

Enforcement Activity: Taking into consideration the fact that there were multiple inspectors working on the same day on different inspections during 2002, the Gas Pipeline Safety Section of the Commission spent the equivalent of 358 days inspecting 40 natural gas operators. Of the 86 units inspected, 53 violations were detected. By the end of the year, 34 of the violations had been corrected. The staff conducted one safety seminar in North Carolina for the state gas operators. The cost of conducting the pipeline program for 2002 was \$381,921 of which \$189,717 was refunded to the State from the US Department of Transportation.

G. SOURCE AND DISPOSITION OF THE GAS REVENUE DOLLAR

Shown in Figure No. 5-13 is a comparison chart reflecting both the source and disposition of the gas revenue dollar for the years 1993 through 2002. In Figure No. 5-14 this same information is illustrated in pie charts for both the source and disposition of the gas revenue dollar for 2002.

H. STATISTICAL SUMMARY DATA

The total gross operating revenues for the Class A natural gas North Carolina companies was more than \$1.0 billion in 2002. Operating expenses including taxes decreased 11.6% in 2002, and net operating income decreased 123.8%.

The average number of full-time employees in 2002 totaled 2,245, an increase of 106 people or 5% from 2001. The total

wages paid these employees equaled \$104,297,000, a 1.1% decrease from the previous year. Figure No. 5-15C has additional financial and operating statistical data for the years 1997 through 2002.

FIGURE NO. 5-2
NORTH CAROLINA GAS COMPANIES
As of December 31, 2003

CARDINAL PIPELINE COMPANY, LLC
c/o Public Service Gas Company of NC, Inc.
P. O. Box 1398
GASTONIA, NORTH CAROLINA 28053-1398
(704)834-6466

EASTERN NORTH CAROLINA NATURAL GAS CO.
P. O. BOX 33068
CHARLOTTE, NORTH CAROLINA 28233

FRONTIER ENERGY, LLC
1927 BRIDGE STREET
ELKIN, NORTH CAROLINA 28621-2105
(910)526-2690

**MUNICIPAL GAS AUTHORITY OF GEORGIA/CITY
OF TOCCOA, GEORGIA**
CITY OF TOCCOA
P. O. BOX 579
203 N. ALEXANDER STREET
TOCCOA, GEORGIA 30577
(706)886-8451

NORTH CAROLINA NATURAL GAS CORPORATION
5625 DILLARD DRIVE, SUITE 101
CARY, NORTH CAROLINA 27511
(919)235-6136

PIEDMONT NATURAL GAS COMPANY, INC.
P. O. BOX 33068
CHARLOTTE, NORTH CAROLINA 28233-3068
(704)731-4286

**PUBLIC SERVICE COMPANY OF
NORTH CAROLINA, INC.**
P. O. BOX 1398
GASTONIA, NORTH CAROLINA 28053-1398
(704)834-6556

FIGURE NO. 5-3
N. C. MUNICIPAL GAS SYSTEMS
As of December 31, 2003

Bessemer City, City of
132 West Virginia Avenue
Bessemer City, North Carolina 28016-2399
MR. CHARLES W. BOYD, JR.
GAS DEPARTMENT MANAGER

Greenville Utilities Commission
P. O. Box 1847
Greenville, North Carolina 27835-1847
MR. ANTHONY MILLER
DIRECTOR, GAS SYSTEM

Kings Mountain, City of
P. O. Box 429
Kings Mountain, North Carolina 28086-0429
MR. JOHN CLEMMON
GAS DEPARTMENT MANAGER

Lexington, City of
P. O. Box 649
Lexington, North Carolina 27293-0649
MR. CHRIS SMITH
NATURAL GAS SUPERINTENDENT

Monroe, City of
P. O. Box 69
Monroe, North Carolina 28111-0069
MR. STEVE ROGERS
GAS SUPERINTENDENT

Rocky Mount, City of
P. O. Drawer 1180
Rocky Mount, North Carolina 27802-1180
MR. LLOYD TURNER
GAS SUPERINTENDENT

Shelby, City of
P. O. Box 207
Shelby, North Carolina 28151-0207
MR. SMITH LINGERFELT
DIRECTOR OF UTILITIES

Wilson, City of
P. O. Box 10
Wilson, North Carolina 27894-0010
MR. FRANK CANADA
GAS SUPERINTENDENT

FIGURE NO. 5-4

NATURAL GAS COMPANIES—CLASS A
GROSS PLANT INVESTMENTS—YEAR-END DATA (\$000s)
(N.C. Data Only)
1968-2002

Year	North Carolina Natural Gas Company	NUI North Carolina Gas	Piedmont Natural Gas Company	Public Service Co. of N. C.	United Cities Gas Company	Totals	% Change From Prior Year
1968	40,463	3,655	72,417	68,359	919	185,813	11.9 %
1969	44,597	3,876	79,287	74,799	1,001	203,560	9.6 %
1970	47,676	4,064	86,347	80,825	1,386	220,298	8.2 %
1971	51,691	4,366	89,675	86,047	1,623	233,402	5.9 %
1972	54,416	4,581	99,864	90,964	1,868	251,693	7.8 %
1973	56,571	4,792	107,031	95,663	2,070	266,127	5.7 %
1974	58,162	4,858	110,179	100,982	2,275	276,456	3.9 %
1975	59,981	5,304	111,973	111,602	2,402	291,262	5.4 %
1976	62,363	5,451	113,970	118,924	2,606	303,314	4.1 %
1977	64,355	5,440	117,842	123,821	2,744	314,202	3.6 %
1978	66,859	5,595	125,140	129,207	3,010	329,811	5.0 %
1979	70,393	5,826	132,120	137,009	3,211	348,559	5.7 %
1980	76,058	6,284	147,546	151,932	3,942	385,762	10.7 %
1981	82,091	6,406	160,032	165,475	4,350 *	418,354	8.4 %
1982	87,482	6,660	174,280	184,661	—	453,083	8.3 %
1983	92,729	6,834	189,714	199,101	—	488,378	7.8 %
1984	98,956	7,061	206,014	219,625	—	531,656	8.9 %
1985	113,096	7,439	224,957	239,663	—	585,155	10.1 %
1986	128,428	7,828	245,324	257,193	—	638,773	9.2 %
1987	134,465	8,114	272,499	284,795	—	699,873	9.6 %
1988	144,351	8,697	315,292	319,834	—	788,174	12.6 %
1989	154,895	9,634	351,261	359,734	—	875,524	11.1 %
1990	170,993	11,218	390,001	394,597	—	966,809	10.4 %
1991	191,473	12,676	426,338	421,091	—	1,051,578	8.8 %
1992	215,178	13,586	466,994	448,345	—	1,144,103	8.8 %
1993	230,135	14,628	515,571	485,634	—	1,245,968	8.9 %
1994	251,709	19,451	578,395	516,390	—	1,365,945	9.6 %
1995	269,313	20,663	625,004	567,478	—	1,482,458	8.5 %
1996	287,838	22,380	682,364	624,195	—	1,616,777	9.1 %
1997	316,087	23,350	725,366	680,505	—	1,745,308	7.9 %
1998	351,157	24,544	774,695	737,629	—	1,888,025	8.2 %
1999	388,398	27,075	836,974	768,285	—	2,020,732	7.0 %
2000	483,800	28,049	915,736	1,253,297	—	2,680,882	32.7 %
2001	552,897	28,590	964,298	1,319,641	—	2,865,426	6.9 %
2002	572,865	**	1,052,018	1,131,321	—	2,756,204	(3.8) %
Percent Change							
2002 over 2001	3.6 %		9.1 %	(14.3) %	—	(3.8) %	

* Public Service Company of N.C., Inc., purchased United Cities Gas Co. in 1982.

** NUI was transferred to Piedmont in 2002.

FIGURE NO. 5-5

CUSTOMERS BY CLASSIFICATION (YEARLY AVERAGE)
(N.C. Data Only)
1968-2002

Year	Residential	Commercial	Industrial	Other (a) Classes	Totals	% Change From Prior Year
1968	182,622	26,250	2,018	17,193	228,083	8.0 %
1969	196,570	28,918	2,625	18,580	246,693	8.2 %
1970	208,712	30,572	2,789	20,213	262,286	6.3 %
1971	220,941	31,834	2,308	20,435	275,518	5.0 %
1972	233,746	32,409	2,336	21,083	289,574	5.1 %
1973	242,405	33,245	2,218	21,645	299,513	3.4 %
1974	251,611	34,239	1,883	21,820	309,553	3.4 %
1975	255,339	35,141	1,862	22,221	314,563	1.6 %
1976	259,355	35,435	1,752	22,561	319,103	1.4 %
1977	267,629	35,141	1,862	17,007	321,639	0.8 %
1978	276,273	35,559	1,819	14,444	328,095	2.0 %
1979	280,289	36,162	1,809	14,794	333,054	1.5 %
1980	294,343	37,904	1,911	15,140	349,298	4.9 %
1981	304,072	39,108	1,992	14,979	360,151	3.1 %
1982	314,108	40,624	2,026	14,962	371,720	3.2 %
1983	324,569	42,364	2,126	15,095	384,154	3.3 %
1984	335,249	44,147	2,104	15,532	397,032	3.4 %
1985	348,331	45,770	2,535	15,222	411,858	3.7 %
1986	367,393	48,605	2,913	15,099	434,010	5.4 %
1987	399,056	52,465	2,938	15,098	469,557	8.2 %
1988	413,519	55,176	2,988	14,346	486,029	3.5 %
1989	448,928	59,453	2,724	14,210	525,315	8.1 %
1990	474,592	63,470	2,637	14,024	554,723	5.6 %
1991	501,729	66,201	2,679	13,534	584,143	5.3 %
1992	532,458	68,445	3,206	12,937	617,046	5.6 %
1993	561,391	70,839	3,317	12,076	647,623	5.0 %
1994	582,563	72,275	3,716	12,298	670,852	3.6 %
1995	614,539	75,036	4,609	11,018	705,202	5.1 %
1996	637,024	86,898	3,204	10,976	738,102	4.7 %
1997	700,643	92,956	4,684	10,654	808,937	9.6 %
1998	731,530	94,252	6,070	59,057	890,909	10.1 %
1999	770,320	98,402	4,361	59,953	933,036	4.7 %
2000	801,241	100,684	3,781	53,014	958,720	2.8 %
2001	818,992	92,968	1,902	58,996	972,858	1.5 %
2002	838,461	93,754	1,953	61,016	995,184	2.3 %
Percent Change						
2002 over 2001	2.4 %	0.8 %	2.7 %	3.4 %	2.3 %	

() Includes public housing units rather than meters.

Figure No. 5-6

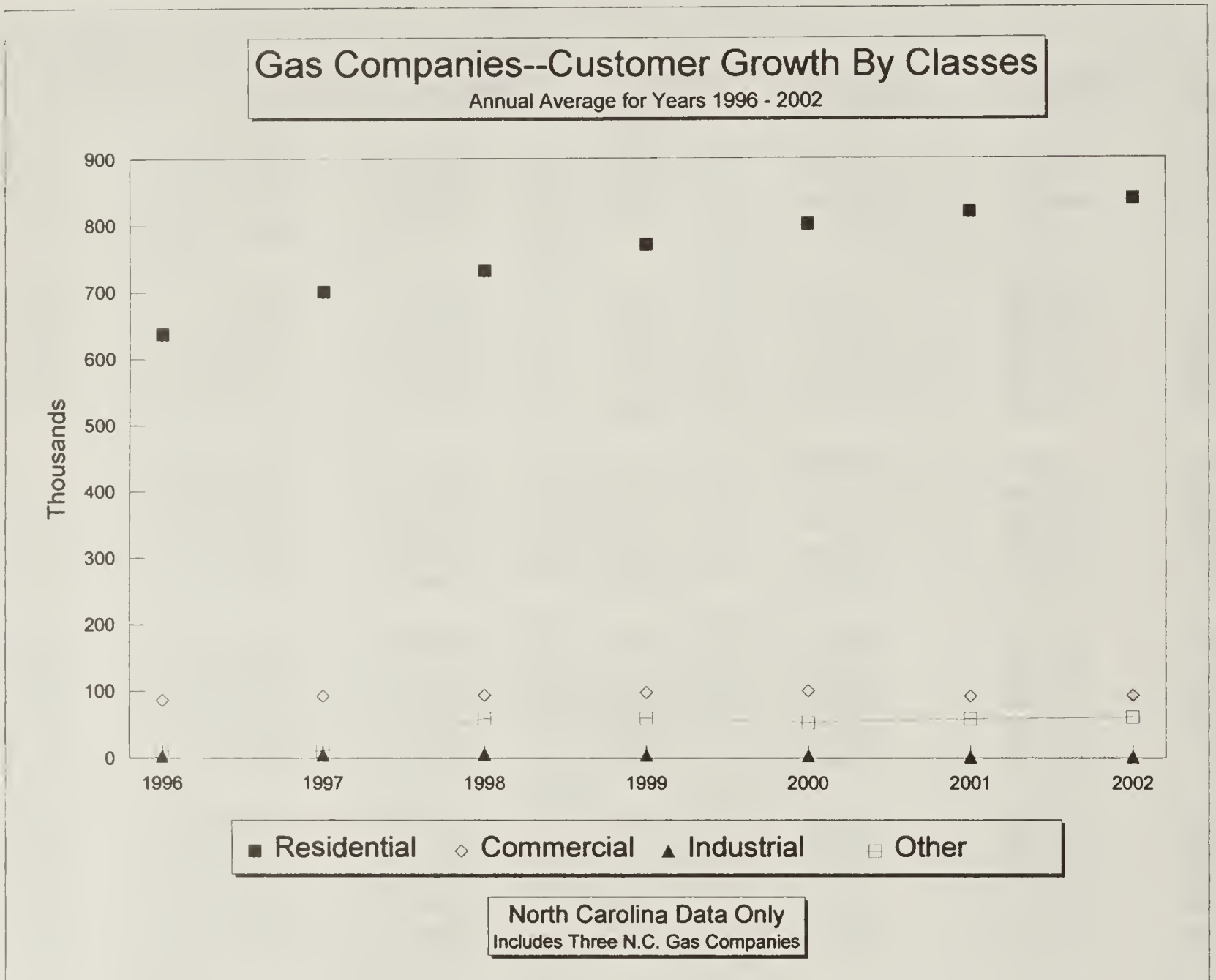
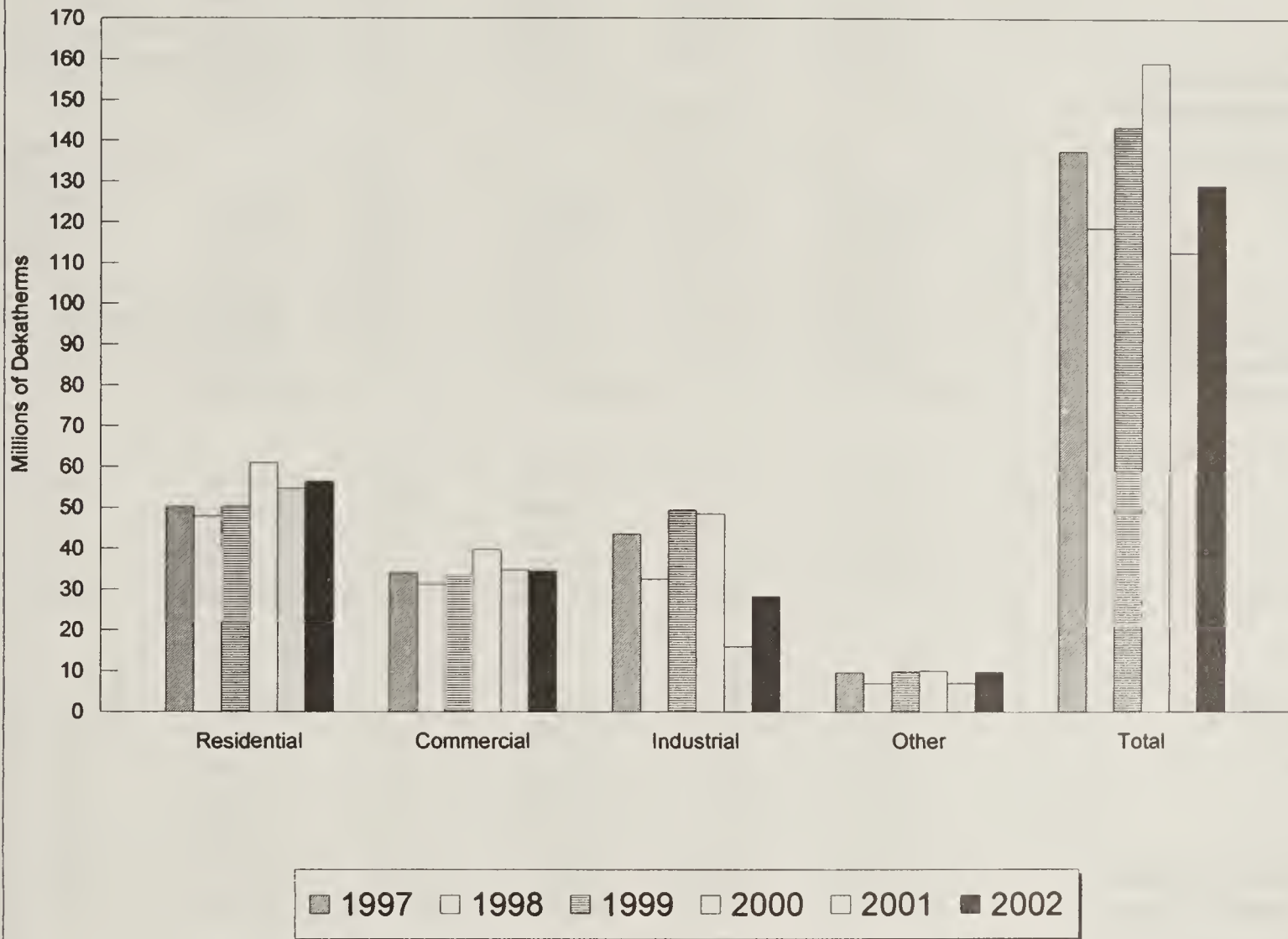


Figure No. 5-7
Gas Company Energy Sales by Classes



North Carolina Data Only
 Includes Three N.C. Gas Companies

FIGURE NO. 5-8 A

**Summary of Natural Gas Deliveries of Dekatherms
Revenues and Customers by Classification with Percent of Totals Shown
Calendar Years 1997, 1998, 1999, 2000, 2001 and 2002**

Sales--DTs (000s)	2000	% of Total	2001	% of Total	2002	% of Total
Residential	60,970	27.8 %	54,556	28.4 %	56,408	26.5 %
Commercial	39,779	18.1	34,818	18.2	34,498	16.2
Industrial	48,384	22.0	15,952	8.3	28,343	13.3
Other	9,984	4.5	7,016	3.7	9,727	4.6
Total Sales	159,117	72.4	112,342	58.6	128,976	60.6 %
Gas Transported for Others	60,516	27.6	79,448	41.4	83,923	39.4
Total Throughput of Gas	219,633	100.0 %	191,790	100.0 %	212,899	100.0

Revenues: (\$000s)						
Residential	\$562,648	43.4 %	\$646,972	49.4 %	\$503,551	47.5 %
Commercial	291,712	22.5	336,759	25.7	239,516	22.6
Industrial	247,745	19.1	116,163	8.9	134,805	12.7
Other Sales	46,654	3.6	49,657	3.8	42,190	4.0
Total Sales of Gas	1,148,759	88.6	1,149,551	87.8	920,062	86.7
Gas Transported for Others	65,472	5.0	84,486	6.5	85,103	8.0
Other Operating Revenues	82,805	6.4	74,910	5.7	55,485	5.2
Total Revenues	\$1,297,036	100.0 %	\$1,308,947	100.0 %	\$1,060,650	100.0 %

Customers: (Annual Average)						
Residential	801,241	83.6 %	818,992	84.2 %	838,461	84.3 %
Commercial	100,684	10.5	92,968	9.6	93,754	9.4
Industrial	3,781	0.4	1,902	0.2	1,953	0.2
Other	53,014	5.5	58,996	6.1	61,016	6.1
Total Customers	958,720	100.0 %	972,858	100.0 %	995,184	100.0 %

Sales--DTs (000s)	1997	% of Total	1998	% of Total	1999	% of Total
Residential	50,228	24.5 %	47,836	23.5 %	50,275	24.0 %
Commercial	34,065	16.6	31,201	15.3	33,831	16.1
Industrial	43,504	21.2	32,509	16.0	49,406	23.6
Other	8,419	4.1	6,873	3.4	9,848	4.7
Total Sales	136,216	66.4	118,419	58.2	143,360	68.4
Gas Transported for Others	68,953	33.6	85,017	41.8	66,214	31.6
Total Throughput of Gas	205,169	100.0 %	203,436	100.0 %	209,574	100.0 %

Revenues: (\$000s)						
Residential	\$437,731	42.9 %	\$405,856	44.9 %	\$405,908	44.9 %
Commercial	230,652	22.6	201,529	22.3	203,476	22.5
Industrial	201,255	19.7	118,944	13.2	177,240	19.6
Other Sales	39,691	3.9	29,165	3.2	38,009	4.2
Total Sales of Gas	909,329	89.0	755,494	83.6	824,633	91.2
Gas Transported for Others	63,110	6.2	142,968	15.8	64,287	7.1
Other Operating Revenues	48,715	4.8	5,291	0.6	15,380	1.7
Total Revenues	\$1,021,154	100.0 %	\$903,753	100.0 %	\$904,300	100.0 %

Customers: (Annual Average)						
Residential	700,643	86.6 %	731,530	82.1 %	770,320	82.6 %
Commercial	92,956	11.5	94,252	10.6	98,402	10.5
Industrial	4,684	0.6	6,070	0.7	4,361	0.5
Other	10,654	1.3	59,057	6.6	59,953	6.4
Total Customers	808,937	100.0 %	890,909	100.0 %	933,036	100.0 %

FIGURE NO. 5-8 B

Percent Change in Deliveries of Gas: (Dekatherms)

Sales:	2000	2001	2000-2001 % Change	2002	2001-2002 % Change
Residential	60,970	54,556	(10.5) %	56,408	3.4 %
Commercial	39,779	34,818	(12.5)	34,498	(0.9)
Industrial	48,384	15,952	(67.0)	28,343	77.7
Other	9,984	7,016	(29.7)	9,727	38.6
Total Sales	159,117	112,342	(29.4) %	128,976	14.8 %
Gas Transported for Others	60,516	79,448	31.3	83,923	5.6
Total Throughput of Gas	219,633	191,790	(12.7)	212,899	11.0

Sales--DTs (000s)	1997	1998	1997-1998 % Change	1999	1998-1999 % Change	2000	1999-2000 % Change
Residential	50,228	47,836	(4.8) %	50,275	5.1	60,970	21.3 %
Commercial	34,065	31,201	(8.4)	33,831	8.4	39,779	17.6
Industrial	43,504	32,509	(25.3)	49,406	52.0	48,384	(2.1)
Other	9,418	6,873	(27.0)	9,848	43.3	9,984	1.4
Total Sales	137,215	118,419	(13.7) %	143,360	21.1	159,117	11.0 %
Gas Transported for Others	68,953	85,017	23.3	66,214	(22.1)	60,516	(8.6)
Total Throughput of Gas	206,168	203,436	(1.3)	209,574	3.0	219,633	4.8

FIGURE NO. 5-9A

REGULATED AND MUNICIPAL GAS SYSTEMS

Total Number of Customers, Total Revenue from Sales and Transportation of Gas, and Total Dekatherms Sold
(\$, Dekatherms in 000s)

COMPANY	Total Number of Customers Yearly Average			Total Revenues From Sales and Transportation of Gas (000's)			Total Dekatherms of Gas Sold and Transported (000's)		
	2001	2002	% Change 2001-2002	2001	2002	% Change 2001-2002	2001	2002	% Change 2001-2002
Class A:									
N.C. Natural Gas	168,734	176,905	4.8 %	\$321,378	\$301,062	(6.3) %	52,442	67,250	28.2 %
NUI	14,106	1/		18,498	1/		3,593	1/	
Piedmont Natural Gas	427,040	434,779	1.8	516,434	405,584	(21.5)	71,770	75,907	5.8
Public Service Co. of N.C.	363,865	383,500	5.4	452,637	354,007	(21.8)	63,985	69,742	9.0
Total--Regulated Utilities	973,745	995,184	2.2 %	\$1,308,947	\$1,060,653	(19.0) %	191,790	212,899	11.0 %
Municipals:									
Bessemer City	1,516	1,485	(2.0) %	\$1,561	\$935	(40.1) %	134	100	(25.4) %
Greenville, City of	19,636	20,485	4.3	29,590	24,477	(17.3)	2,744	2,895	5.5
Kings Mountain, City of	3,683	3,719	1.0	8,733	5,776	(33.9)	1,113	1,134	1.9
Lexington, City of	10,326	10,636	3.0	40,439	24,106	(40.4)	5,816	4,033	(30.6)
Monroe, City of	8,087	N/A	N/COMP	19,883	N/A	N/COMP	2,664	N/A	N/COMP
Rocky Mount, City of	17,269	17,887	3.6	24,886	15,544	(37.5)	2,407	2,505	4.1
Shelby, City of	9,870	10,041	1.7	38,311	19,811	(48.3)	4,786	3,466	(27.6)
Wilson, City of	12,823	13,190	2.9	17,528	12,966	(26.0)	1,518	1,517	(0.1)
Total--Municipals	83,210	77,443	(6.9) %	\$180,931	\$103,615	(42.7) %	21,182	15,651	(26.1) %
GRAND TOTALS--ALL GAS SYSTEMS	1,056,955	1,072,627	1.5 %	\$1,489,878	\$1,164,268	(21.9) %	212,972	228,550	7.3 %

1/ NUI was purchased by Piedmont on September 30, 2002.

Municipal data for fiscal years ended June 30.

NA = Not Available N/COMP = Not Comparable

FIGURE NO. 5-10

RESIDENTIAL NATURAL GAS CUSTOMERS' AVERAGE DEKATHERM USAGE AND COST DATA
North Carolina and Selected Gas Companies Outside North Carolina
For the Years 1997, 1998, 1999, 2000, 2001 and 2002

Company	Annual Dekatherm Use*						Rate per Dekatherm						TOTAL ANNUAL COST					
	1997	1998	1999	2000	2001	2002	1997	1998	1999	2000	2001	2002	1997	1998	1999	2000	2001	2002
N. C. Gas Companies: (N.C. Data Only)																		
N.C. Natural Gas Corp.	63	58	59	66	67	58	\$8.02	\$7.73	\$7.10	\$8.39	\$11.57	\$9.23	\$505.30	\$448.58	\$419.17	\$554.07	\$775.09	\$535.14
Piedmont Natural Gas Co., Inc.	75	68	68	72	69	69	8.38	8.13	7.64	9.04	11.20	8.74	628.67	552.81	519.69	651.16	772.66	603.02
Public Service Co. of N.C., Inc.	71	64	64	83	63	68	9.34	9.15	8.91	9.62	11.82	9.07	663.41	585.62	570.11	798.86	807.60	616.54
Weighted Average	72	72	72	76	67	67	\$8.71	\$8.48	\$8.07	\$9.23	\$11.86	\$8.93	\$627.12	\$610.56	\$581.31	\$701.34	\$794.54	\$598.11
National Average (1)	91	84	83	84	NA	NA	\$6.59	\$6.54	\$6.39	\$7.58	NA	NA	\$573.33	\$551.32	\$529.09	\$634.00	NA	NA

* Note: Dekatherm Use figures have been rounded, therefore, the total annual cost is not exact.

(1) Source: Gas Facts--Editions for years shown

NA - Not Available

FIGURE NO. 5-11

GAS TRACKING CHANGES APPROVED 2002

Company	Date Filed	Docket No.	Increase/ (Decrease)	Increase/ (Decrease) Per Dekatherm
Piedmont Natural Gas Company, Inc.	02/01/02	G-9, Sub 460	(\$28,316,423)	(\$0.5057)
	05/01/02	G-9, Sub 463	\$42,471,834	\$0.7585
	06/01/02	G-9, Sub 464	\$27,059,472	\$0.5057
	11/01/02	G-9, Sub 469	\$30,922,818	\$0.5779
Public Service Company of NC, Inc.	01/01/02	G-5, Sub 426	(\$18,244,974)	(\$0.5093)
	02/01/02	G-5, Sub 427	(\$31,016,098)	(\$0.8658)
	07/01/02	G-5, Sub 432	\$49,257,490	\$1.3750
	11/01/02	G-5, Sub 435	\$21,891,820	\$0.6111
North Carolina Natural Gas Corporation	04/01/02	G-21, Sub 426	(\$32,319,656)	(\$1.0238)
	06/01/02	G-21, Sub 430	\$16,159,828	\$0.5119
	11/01/02	G-21, Sub 436	\$22,852,314	\$0.7239
	02/01/02	G-3, Sub 246	(\$1,919,089)	(\$0.5139)
NUI - N. C. Gas	03/01/02	G-3, Sub 247	(\$209,124)	(\$0.0560)
	04/01/02	G-3, Sub 248	\$1,151,677	\$0.3084
	06/01/02	G-3, Sub 250	\$5,373,747	\$1.4390
	07/01/02	G-3, Sub 252	(\$2,302,981)	(\$0.6167)
	11/01/02	G-9, Sub 469	\$2,158,088	\$0.5779
Total			\$104,970,744	

**GENERAL RATE INCREASES APPROVED
GAS COMPANIES
2002**

Company	Date Filed	Docket No.	Amount Requested (\$)	Amount Approved (\$)	% Approved Of Amount Requested	Date of Final Order
Piedmont Natural Gas Company, Inc.	03/28/02	G-9, Sub 461	\$28,182,395	\$13,888,962	49.28%	10/28/02
Total			\$28,182,395	\$13,888,962	49.28%	

FIGURE NO. 5-13

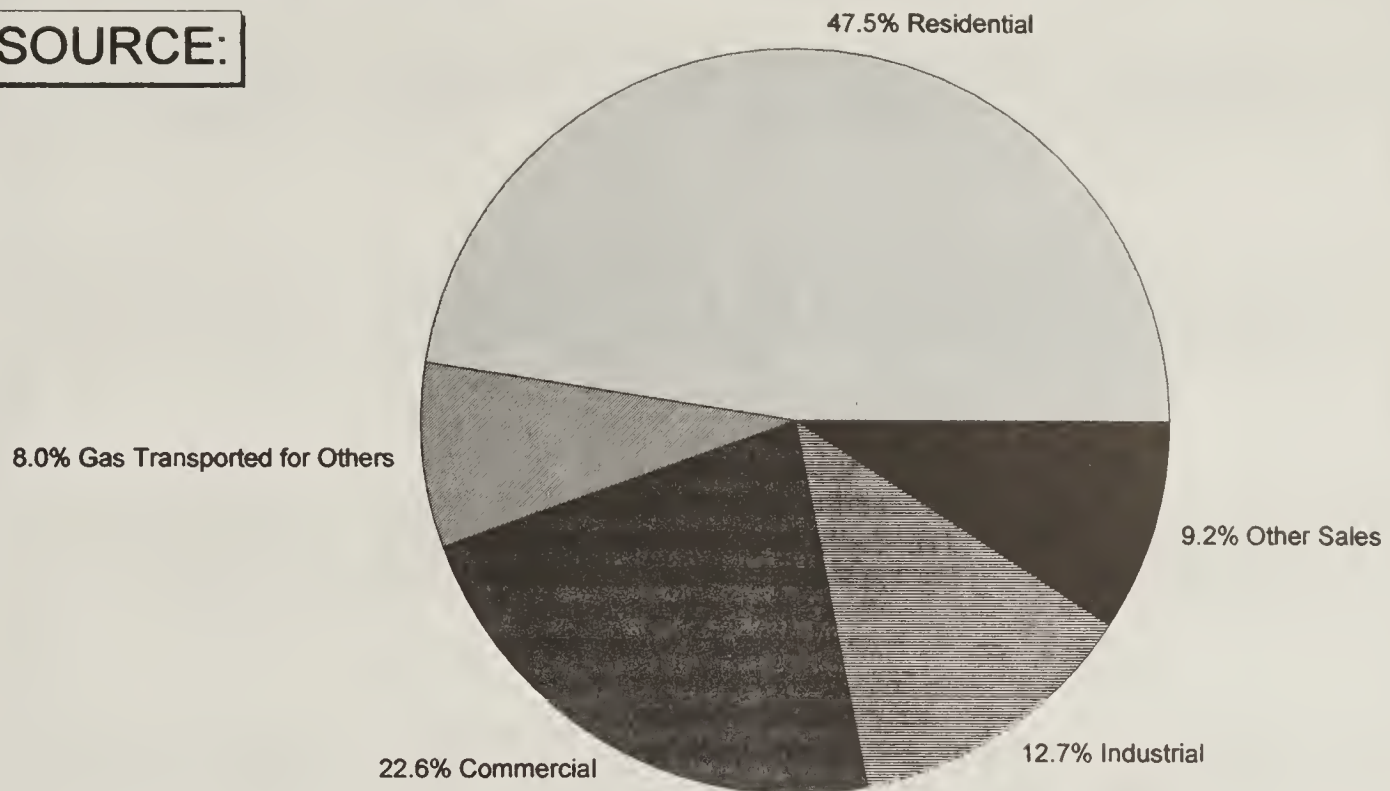
SOURCE AND DISPOSITION OF THE OPERATING REVENUE DOLLAR
(N.C. DATA ONLY)
For the Years 1993-2002

Source	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Residential	38%	42%	44%	42%	43%	45%	45%	43%	49%	47%
Commercial	23%	23%	22%	22%	22%	22%	22%	23%	26%	23%
Industrial	33%	25%	22%	23%	20%	13%	20%	19%	9%	13%
Other	6%	10%	12%	13%	15%	20%	13%	15%	16%	17%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Disposition	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cost of Purchased Gas	62%	58%	48%	62%	61%	55%	55%	66%	81%	84%
Other Operating Expenses	18%	16%	24%	16%	14%	19%	20%	14%	3%	2%
Depreciation & Amortization	3%	5%	6%	5%	8%	7%	7%	7%	7%	12%
Income Taxes	3%	5%	4%	4%	4%	5%	5%	3%	3%	4%
General Taxes	5%	5%	6%	5%	5%	6%	5%	2%	2%	1%
Interest & Preferred Dividends	4%	5%	5%	3%	3%	3%	3%	3%	2%	2%
Common Stock Earnings	5%	6%	7%	5%	5%	5%	5%	5%	2%	-5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Figure No. 5-14
Source and Disposition of the Revenue Dollar
Gas Companies (North Carolina Data Only) for 2002

SOURCE:



DISPOSITION:

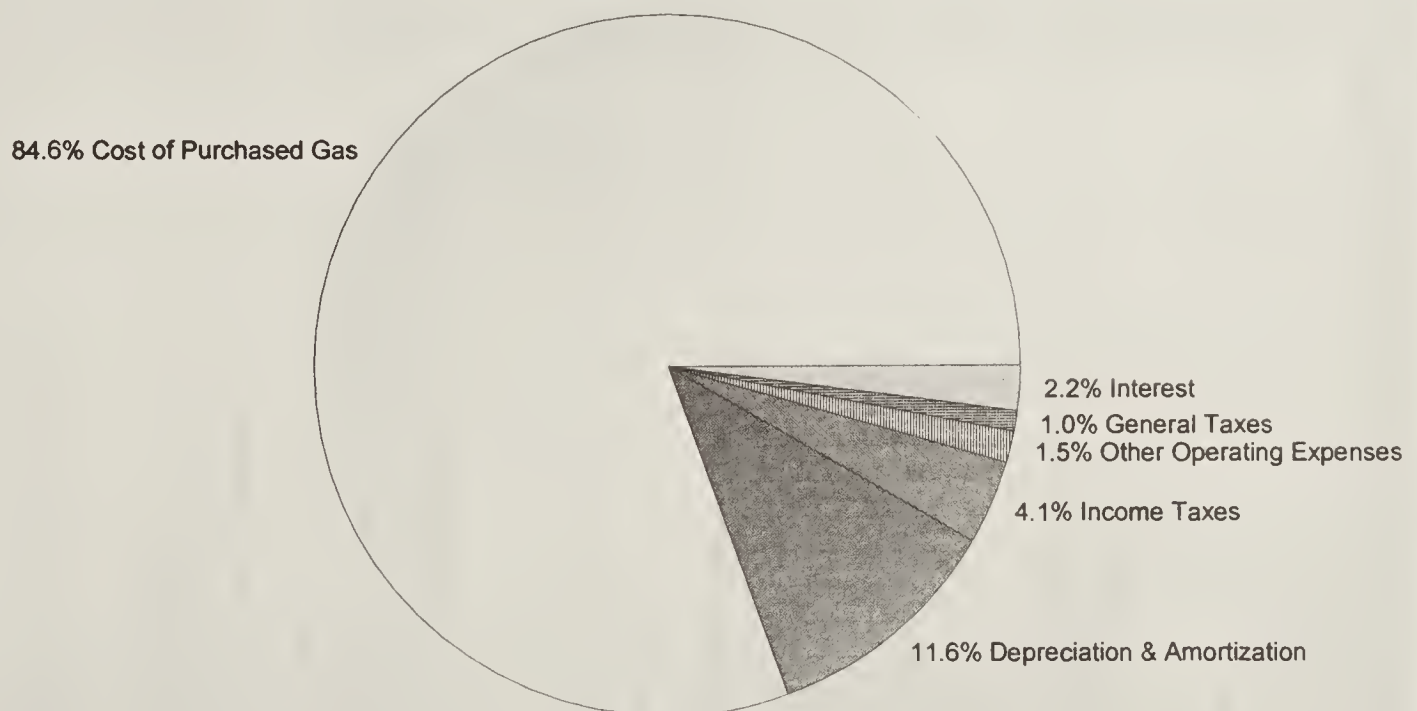


FIGURE NO. 6-16A
CLASS A GAS COMPANIES
INCOME STATEMENT, BALANCE SHEET, AND CUSTOMER STATISTICS
For the Years 1997, 1998, 1999, 2000, 2001, and 2002

ITEM	1997	1998	1999	2000	2001	2002	% Change 2001-2002
Number of Companies Regulated	4	4	4	4	7	7	
Number Included In This Data	4	4	4	4	4	3	
INCOME STATEMENT (000s):							
Sales—Residential	\$437,731	\$405,856	\$405,908	\$562,648	\$646,972	\$503,551	(22.2)%
Commercial	230,652	201,529	203,476	291,712	336,759	239,516	(28.9)
Industrial	201,255	118,944	177,240	247,745	116,163	134,805	16.0
Other Sales	39,691	29,165	38,009	46,654	49,657	42,190	(15.0)
Total Sales of Gas	909,329	755,494	824,633	1,148,759	1,149,551	920,062	(20.0)
Gas Transported for Others	63,110	142,968	64,287	65,472	84,486	85,106	0.7
Other Operating Revenues	48,715	5,291	15,380	82,805	74,910	55,485	(25.9)
Total Gas Operating Revenues	\$1,021,154	\$903,753	\$904,300	\$1,297,036	\$1,308,947	\$1,060,653	(19.0)%
Expense Items:							
Production Expense	\$602,708	\$475,083	\$479,148	\$870,632	\$866,051	\$625,299	(27.8)%
Transmission Expense	5,862	5,312	5,743	5,888	6,401	7,362	15.0
Distribution Expense	39,726	39,631	40,452	43,063	45,313	48,767	7.6
Customer Accounts Expense	26,369	24,986	23,210	24,285	39,045	31,701	(18.8)
Sales Expense	9,115	8,830	8,372	8,927	9,136	8,327	(8.9)
Administrative & General Expense	75,962	80,302	85,200	89,908	92,172	218,815	137.4
Depreciation Expense	55,808	60,961	63,104	69,285	75,743	85,993	13.5
Natural Gas Storage	2,798	2,200	2,474	2,725	2,832	2,485	(12.3)
Customer Service & Informational Expense	1,054	1,131	838	803	1,075	471	(56.2)
Other Expense	0	0	1,379	13,400	29,285	11,080	(62.2)
Total Operating Expenses Before Taxes	\$818,402	\$698,436	\$709,920	\$1,128,916	\$1,167,053	\$1,040,300	(10.9)%
State Taxes:							
Income Tax	\$7,100	\$7,096	\$7,315	\$7,632	\$6,083	\$4,181	(31.3)%
Gross Receipts Tax	20,983	24,926	18,572	1,161	1,221	N/A	N/C
Property Tax	12,487	13,619	9,858	10,562	16,257	N/A	N/C
Total State Taxes	\$40,570	\$45,641	\$35,745	\$19,355	\$23,561	\$4,181	(82.3)%
Federal Taxes:							
Income Tax	\$31,557	\$32,697	\$33,406	\$35,577	\$29,034	\$22,259	(23.3)%
Provision for Deferred Taxes	4,057	7,119	6,660	7,087	972	3,513	261.4
Investment Tax Credit	(920)	(864)	(811)	(866)	(861)	(786)	(8.7)
Payroll, Unemployment & Other Federal Taxes	16,586	6,125	9,297	9,221	3,551	11,561	225.6
Total Federal Taxes	\$51,280	\$45,077	\$48,552	\$51,019	\$32,696	\$36,547	11.8 %
Total State & Federal Taxes	\$91,850	\$90,718	\$84,297	\$70,374	\$56,257	\$40,728	(27.6)%
Total Operating Expenses	\$911,252	\$789,154	\$794,217	\$1,199,290	\$1,223,310	\$1,081,028	(11.6)%
Net Operating Income	\$109,902	\$114,599	\$110,083	\$97,746	\$85,637	\$20,375	(123.8)%
Other Income & Expenses							
Other Income	\$12,489	\$6,883	\$7,469	\$26,257	\$15,864	\$13,884	(12.5)%
Allowance for Funds Used During Construction	844	1,657	2,042	2,618	5,576	3,236	(42.0)
Deductions from Income	(1,045)	(1,004)	(1,280)	(1,178)	1,686	53,849	N/C
Taxes on Other Income & Deductions	(3,564)	(2,211)	(1,843)	(7,927)	5,883	4,680	(20.4)
Total Other Income & Expense	\$8,724	\$5,325	\$6,388	\$19,770	\$13,871	(\$41,409)	N/C %
Fixed Charges							
Interest on Funded Debt	\$39,762	\$38,134	\$34,783	\$32,901	\$42,868	\$43,062	0.5 %
Other Fixed Charges	4,254	7,098	12,706	21,876	11,845	14,100	19.0
Allow. for Borrowed Funds Used During Construction	(1,444)	(2,116)	(3,073)	(3,038)	2,220	756	(65.9)
Total Fixed Charges	\$42,572	\$43,116	\$44,416	\$51,739	\$56,933	\$57,918	1.7 %
Extraordinary Items	0	0	0	0	0	229,590	N/C
Net Income	\$76,054	\$76,808	\$72,055	\$65,777	\$42,575	\$109,888	158.1 %
N/C = Not Comparable							

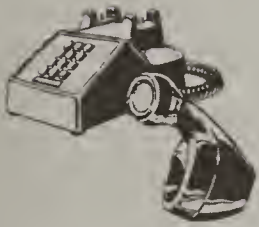
CLASS A GAS COMPANIES
INCOME STATEMENT, BALANCE SHEET, AND CUSTOMER STATISTICS
For the Years 1997, 1998, 1999, 2000, 2001, and 2002

ITEM	1997	1998	1999	2000	2001	2002	% Change 2001-2002
BALANCE SHEET (000s):							
Utility Plant in Service	\$1,701,892	\$1,807,748	\$1,937,861	\$2,499,910	\$2,758,244	\$2,700,445	(2.1)%
Construction Completed Not Classified	7,774	0	0	0	0	0	N/C
Held for Future Use	0	0	0	0	0	0	N/C
Construction Work in Progress	35,642	80,277	82,871	180,972	107,182	55,759	(48.0)
Acquisition Adjustments	0	0	0	0	0	0	N/C
Total Utility Plant	\$1,745,308	\$1,888,025	\$2,020,732	\$2,680,882	\$2,855,426	\$2,756,204	(3.8)%
Depreciation Reserve	522,957	577,740	629,836	704,796	790,457	873,375	10.5
Net Utility Plant	\$1,222,351	\$1,310,285	\$1,390,896	\$1,976,086	\$2,074,969	\$1,882,829	(9.3)%
Other Property & Investments:							
Nonutility Property - Net	\$5,401	\$5,768	\$6,367	\$1,495	\$1,765	\$1,890	7.1
Investments in Associated Companies	0	0	0	33	33	0	N/C
Other Investments	46,825	46,726	63,280	56,129	45,852	56,542	23.3
Total Other Property & Investments	\$52,226	\$52,494	\$69,647	\$57,657	\$47,650	\$58,432	22.6
Cash	\$6,645	(\$1,820)	\$3,235	\$8,584	(\$2,094)	\$706	(133.7)%
Special Deposits	11,237	16,204	2,524	3,082	4,611	7,966	72.8
Working Funds	590	682	327	(12)	(12)	(124)	(41.5)
Customer Accounts Receivable	134,703	96,956	138,923	317,415	163,683	219,262	34.0
Less Accum. Prov. for Uncollectible Acct. Credit	(4,849)	(4,448)	(5,994)	(4,837)	4,497	4,610	2.5
Recoverable Purchased Gas Costs	3,983	5,175	4,431	8,053	0	0	N/C
Materials, Supplies, Merchandise	16,521	16,775	17,712	15,055	14,295	11,622	(18.7)
Stores Expense Undistributed	302	178	59	247	685	378	(44.8)
Temporary Cash Investments	17,233	23,659	23,595	29,062	23,326	9,117	(60.9)
Gas Stored Underground	40,787	54,612	60,874	61,406	97,522	36,283	(62.8)
Liquidified Natural Gas Stored	7,703	7,786	12,214	13,449	16,951	50,893	200.2
Deferred Cost of Purchased Gas	19,282	18,685	19,778	56,638	16,456	22,683	37.8
Prepayments	4,435	3,975	1,252	3,137	3,409	2,123	(37.7)
Miscellaneous Current & Accrued Assets	16,199	10,009	11,298	1,873	11,246	16,570	47.3
Other Assets	38,423	32,307	287,938	290,805	277,790	114,299	N/C
Total Assets	\$1,587,771	\$1,641,496	\$2,038,709	\$2,837,700	\$2,745,790	\$2,428,429	(11.6)%
Liabilities & Stockholder's Equity:							
Preferred Stock	\$0	\$0	\$0	\$0	\$0	\$0	N/C
Common Stock	198,331	207,882	194,247	186,222	197,104	213,813	8.5
Other Paid-in Capital	126,511	134,742	139,135	714,823	767,475	734,021	(4.4)
Premium on Capital Stock	32,766	35,822	363,723	363,269	363,269	363,351	N/C
Less Capital Stock Expense	(584)	(584)	0	0	0	0	N/C
Retained Earnings	230,706	249,138	199,865	140,899	144,146	(232,218)	(261.1)
Total Stockholder's Equity	\$587,730	\$627,000	\$896,970	\$1,405,213	\$1,471,994	\$1,078,967	(28.7)%
Total Long-Term Debt	\$460,693	\$442,618	\$401,597	\$459,086	\$596,115	\$563,913	(5.4)%
Notes Payable	116,108	163,890	332,630	355,203	182,231	217,187	19.2
Accounts Payable	106,604	77,300	83,317	258,428	140,485	146,079	4.0
Customer Deposits	10,008	10,581	10,494	11,571	14,140	16,519	16.8
Taxes Accrued	10,546	5,890	10,545	(20,021)	2,274	10,074	343.0
Interest Accrued	10,659	10,782	11,749	12,073	8,048	7,989	(0.7)
Matured Long-Term Debt	2,000	2,000	0	0	0	0	N/C
Other Current and Accrued Liabilities	60,566	59,798	51,404	70,637	53,242	82,148	54.3
Accumulated Deferred Investment Tax Credits	146,827	10,127	9,356	8,506	7,837	6,949	(9.0)
Accumulated Deferred Income Taxes	11,033	157,533	177,638	208,485	199,626	211,232	5.8
Miscellaneous Noncurrent	61,124	70,102	48,991	62,764	59,940	18,237	(69.6)
Other Liabilities	3,873	3,875	4,018	7,755	10,080	69,135	585.9
Total Liabilities	\$1,000,041	\$1,014,496	\$1,141,739	\$1,432,487	\$1,273,818	\$1,349,482	5.9 %
Total Liabilities & Stockholder's Equity	\$1,587,771	\$1,641,496	\$2,038,709	\$2,837,700	\$2,745,812	\$2,428,429	(11.8)%

FIGURE NO. 5-15C
CLASS A GAS COMPANIES
INCOME STATEMENT, BALANCE SHEET, AND CUSTOMER STATISTICS
For the Years 1997, 1998, 1999, 2000, 2001, and 2002

ITEM	1997	1998	1999	2000	2001	2002	% Change 2001-2002
SYSTEMWIDE DATA:							
BALANCE SHEET ITEMS (000s):							
Long-Term Debt	\$454,788	\$442,618	\$401,597	\$459,086	\$596,115	\$563,913	(5.4) %
Retained Earnings	\$222,163	\$249,236	\$199,865	\$140,899	\$144,146	(\$232,218)	(261.1) %
Total Capitalization	\$1,033,975	\$1,069,618	\$1,298,567	\$1,864,299	\$2,068,109	\$1,642,879	(20.6) %
Long-Term Debt % of Total Capitalization	44.0%	41.4%	30.9%	24.6%	28.8%	34.3%	19.1 %
Average Number of Common Shares Outstanding (Actual)	56,153	57,883	51,948	33,003	33,549	34,176	1.9 %
Earnings Per Average Common Shares Outstanding (After Preferred Dividends)	\$1.35	\$1.33	\$1.39	\$2.05	\$1.32	N/A	N/C %
CUSTOMER AND MISCELLANEOUS DATA (NC DATA):							
Average Annual Use--Residential Customers (DTs)	77	65	72	76	67	67	0.4 %
Total Residential Customers	700,643	731,530	770,320	801,241	818,992	838,461	2.4 %
Grand Total--All Type Customers	855,362	890,909	933,036	959,364	972,858	995,959	2.4 %
Average Number Full-Time Employees	2,990	2,873	2,532	2,277	2,139	2,245	5.0 %
Total Salaries and Wages Paid Employees (\$000s)	\$116,923	\$116,050	\$110,504	\$110,820	\$105,420	\$104,297	(1.1) %
Average Annual Compensation Per Employee	\$39,105	\$40,393	\$43,643	\$48,669	\$49,285	\$46,457	(5.7) %

N/C = Not Comparable



VI. The Communication Industry

Local Exchange Telephone, Long Distance Carriers, Shared Tenant Services

FIGURE NO. 6-1

LOCAL EXCHANGE TELEPHONE COMPANIES UNDER THE JURISDICTION OF
THE NORTH CAROLINA UTILITIES COMMISSION AS OF JANUARY 1, 2004

ALLTEL-Carolina, Inc.
One Allied Drive
Little Rock, AR 72203
Mr. Rohan Ranaraja, Manager
Government Affairs

Barnardsville Telephone Company
P. O. Box 22995
Knoxville, TN 37933-0995
Mr. James C. Meade, Manager of External Affairs

BellSouth Telecommunications, Inc.
P. O. Box 30188
Charlotte, NC 28230
Mr. Edward L. Rankin, III, General Counsel - NC

Carolina Telephone and Telegraph Co.
Mailstop NCWKFR0233
14111 Capital Boulevard
Wake Forest, NC 27587-5900
Mr. C. Steve Parrott, State Executive - NC/SC

Central Telephone Company
Mailstop NCWKFR0233
14111 Capital Boulevard
Wake Forest, NC 27587-5900
Mr. C. Steve Parrott, State Executive - NC/SC

Citizens Telephone Company
P. O. Box 1137
Brevard, NC 28712
Mr. C. W. Pickelsimer, Jr., VP & General Manager

Concord Telephone Company
P. O. Box 227
Concord, NC 28026-0227
Mr. Jerry L Weikle, Director - External Affairs

Ellerbe Telephone Company
Drawer 220
Ellerbe, NC 28338
Mr. Dan Bennett, President

LEXCOM Telephone Company
P. O. Box 808
Lexington, NC 27293-0808
Mr. Richard G. Reese, President

MEBTEL, Inc. dba MEBTEL Communications
P. O. Box 9
Mebane, NC 27302
Ms. Monica Robinson

North State Telephone Company
P. O. Box 2326
High Point, NC 27261
Mr. Royster M. Tucker, III

Pineville Telephone Company
P. O. Box 249
Pineville, NC 28134
Mr. Gary Creech, Supervisor

Randolph Telephone Company
3733 Old Cox Road
Asheboro, NC 27203
Mr. Steve A. Cox, General Manager

Saluda Mountain Telephone Company
P. O. Box 22995
Knoxville, TN 37933-0995
Mr. James C. Meade, Manager of External Affairs

Service Telephone Company
P. O. Box 22995
Knoxville, TN 37933-0995
Mr. James C. Meade, Manager of External Affairs

Verizon South, Inc.
MC NC 103107
5003 S. Miami Boulevard
Durham, NC 27704
Mr. Stan Pace, Director - Public Policy & External
Affairs

FIGURE NO. 6-1 CONTINUED
SHARED TENANT SERVICE PROVIDERS UNDER THE JURISDICTION OF THE
NORTH CAROLINA UTILITIES COMMISSION AS OF JANUARY 1, 2004

Appalachian State University
 Business Affairs/Special Projects
 Administration Building - 3rd Floor
 Boone, NC 28608

Duke University
 Box 90215
 Durham, NC 27708

East Carolina University
 Joyner Library
 Greenville, NC 27858-4353

Elizabeth City State University
 P. O. Box 760
 Elizabeth City, NC 27909

Fayetteville State University
 1200 Murchison Road
 Fayetteville, NC 28301-4298

Guilford College
 5800 West Friendly Avenue
 Greensboro, NC 27410

High Point University
 833 Montlieu Avenue
 High Point, NC 27262-3598

International Business Machines
 12195 Cornwallis Road
 Durham, NC 27709

North Carolina A & T State University
 1601 East Market Street
 Greensboro, NC 27411

North Carolina Central University
 1801 Fayetteville Street
 Durham, NC 27707

North Carolina State University Tel.
 Box 7217 West Dunn Building
 Raleigh, NC 27695

Peace College of Raleigh North Carolina
 15 East Peace Street
 Raleigh, NC 27604-1194

Smart City Networks
 28 W. Grand Avenue
 Montvale, NJ 07645

UNC at Pembroke
 P. O. Box 1510
 Pembroke, NC 28372-1510

University of NC at Asheville
 One University Height
 Asheville, NC 28804-3299

University of NC at Chapel Hill
 CB # 1810
 Giles Horney Building - Room 104
 Chapel Hill, NC 27599-1810

University of NC at Greensboro
 1000 Spring Garden Street
 Greensboro, NC 27412

University of NC at Charlotte
 9201 University City Boulevard
 Charlotte, NC 28223-0001

University of NC at Wilmington
 601 S. College Road
 Wilmington, NC 28043

University of NC School of Arts
 P. O. Box 12189
 Winston Salem, NC 27127-2189

Western Carolina University
 HFR 330
 Cullowhee, NC 28723

Winston Salem State University
 P. O. Box 19394
 Winston Salem, NC 27110

A. BRIEF REVIEW OF THE TELEPHONE INDUSTRY--GENERAL

At December 31, 2002, there were sixteen (16) local exchange telephone companies, four hundred ten (410) interexchange long distance carriers, and two hundred (200) competing local providers under the jurisdiction of the North Carolina Utilities Commission.

Figure No. 6-1 lists the sixteen LECs and the twenty-two shared tenant service providers authorized to operate by the Utilities Commission as of January 1, 2004. An updated list of local exchange companies, interexchange long distance carriers, and competing local providers can be found on the Public Staff's web page at www.pubstaff.commerce.state.nc.us. The statistical comparisons of the regulated local exchange telephone companies are shown in the schedules following the narrative section of this chapter, with data through 2002. However, more recent data was available and utilized for various schedules. The schedule headlines identify the time period covered.

A list of the telephone holding companies and their wholly owned or controlled operating telephone companies, which were under Commission regulation as of December 31, 2002, is as follows:

Parent Holding Company	Operating Telephone Company
Bell South Corp.	BellSouth Communications, Inc.
Verizon	Verizon South, Inc.
Alltel Corp.	ALLTEL Carolina, Inc.
	Heins Tel. Co.*
	Sandhill Tel. Co.*
Telephone & Data Systems, Inc.	Barnardsville Tel. Service Tel. Company
	Saluda Mt. Tel. Co.
Sprint Communications Company	Carolina Tel. & Telegraph Co.
	Central Tel. Co.

*Merged with ALLTEL Carolina, Inc. Jan. 1, 1995

Long Distance Competition

The Commission has authorized full intrastate toll competition by both facilities-based and resale interexchange carriers (IXCs).

The Commission rules governing the filing of rates and tariffs by the certified IXCs allow competing carriers to raise or lower their rates on 14 days' notice to the Commission. Affected customers must also receive 14 days' notice of any rate increase. AT&T is allowed to decrease rates on 14 days' notice to the Commission and to increase rates up to AT&T's capped rates on 14 days' notice to the Commission and to the affected subscribers. At the end of 2002, four hundred ten (410) IXCs were certified to operate in North Carolina, with three hundred seventy-eight (378) of these being switchless resellers and aggregators, reselling end-to-end service offerings to other IXCs.

Local Exchange Competition

The General Assembly enacted House Bill 161 on April 6, 1995, which authorized local telephone exchange service competition and price or alternative regulation for local exchange companies. This bill became effective on July 1, 1995. On July 19, 1995, the Commission issued an Order promulgating interim rules for certification and regulation of competitive local service providers and posed questions for comments on the appropriate regulatory structure for competitive local providers, resale of local service, and interconnection and scheduled a hearing on universal service issues. Commission rulings can be found in P-100, Sub 133.

As of December 31, 2002, a total of two hundred companies had applied for certification as competing local providers and been granted certificates.

Price Regulation Plans

On June 24, 1996, Price Regulation Plans became effective for BellSouth Telecommunications, Inc., Carolina Telephone and Telegraph Company, Central Telephone Company, and GTE South. An Order approving Concord Telephone's Price Regulation Plan was issued on May 30, 1997. ALLTEL was granted approval under the price regulation plan on December 14, 1998. Under the approved plans, the Commission regulates by controlling prices for regulated services rather than by cost-of-service.

"Under the approved form of price regulation, the Commission is required to allow the local exchange company to set its depreciation rates, to rebalance its rates, to adjust

its prices in the aggregate, or to adjust its prices for various aggregated categories of services based upon changes in generally accepted indices of prices.”

Price regulation plans are subject to the following criteria as stated in G.S. 62-133.5:

(i) protects the affordability of basic local exchange services; (ii) reasonably assesses the continuation of basic local exchange service that meets reasonable service standards; (iii) will not unreasonably prejudice any class of telephone customers, including telecommunications companies; and (iv) is otherwise consistent with the public interest.

Shared Use and Resale

The North Carolina General Assembly ratified a bill in 1987 authorizing the Commission to adopt procedures for allowing shared use and/or resale of any telephone service provided to persons who occupy the same adjoining premises. Due to legislation enacted by the General Assembly in 1989, the Commission established rules for sharing and resale by nonprofit colleges and universities and their affiliated medical centers. The legislation required that rates for lines or trunks being shared or resold be on a measured basis where available or otherwise on a message basis.

The Commission order adopting procedures requires all telephone companies to charge rates to resellers which are 80% of the comparable flat rate, plus five cents for each additional minute with a 50% off-peak discount. The alternative message rates are 80% of the comparable flat rate, plus 12 cents per message. Entities which provide service exclusively to the exception group, as identified by the Legislature, are exempted from the measured or message rates as long as they only share service.

There were twenty-two shared tenant service (STS) providers operating in North Carolina at the end of 2002. A list of these providers can be found in Figure No. 6-1.

Payphone Service Provider (PSP)

A Payphone Service Provider is a subscriber to a Public Telephone Access Service (PTAS) line, offering telephone service to the public by means of a coin, coinless or key-operated PTAS instrument. In 2002 the Commission issued thirty-three (33) special

certificates authorizing the sale of public telephone access service to end-users. Over the years the total number of special certificates issued is 1,705, with 249 of these still certified at December 31, 2002. Anyone can own and operate a payphone with a special certificate.

B. CUSTOMER GROWTH AND IMPACT ON PLANT INVESTMENT

The regulated local exchange companies had a total of 4,630,465 access lines in service as of December 31, 2002. This is a decrease of 3.9% from 2001 with 4,817,709 access lines. Figure No. 6-1A shows total telephones by companies for the years 1970, 1980, 1985, 1990, 1995, and 2000. Figure No. 6-2 shows access lines for the years 2001 and 2002 and Figure 6-2A shows the access lines for the past five years. In 1982 the telephone industry changed its system of reporting the number of telephones served by each company to the number of access lines. For a definition of access line see Figure No. 6-3. In 2002 BellSouth served 49% and Carolina Telephone and Telegraph Company served 26% of the total customers in North Carolina.

The installation of additional access lines requires additional investment. For example, in installing an additional access line, provisions must be made for central office equipment, circuits, and lines to accommodate the traffic potential of the installation. The telephone companies generally attempt to engineer for a five to seven year growth period in outside cable plant facilities and for a one to two year growth period in central office equipment. Unlike other industries, increased volume and increased installations do not necessarily mean increased profits for the telephone utilities. In many instances increased volume can mean less net earnings where the unit cost of servicing the investment exceeds additional unit revenue derived. This is particularly true in sparsely populated areas requiring high investment per line.

C. DEMANDS AND QUALITY OF SERVICE

The telephone companies in North Carolina for several years have been meeting demands for service. However, as more and

more telephone service is extended throughout the State, the overall problem changes somewhat from satisfying demands for service, on which the Commission and the companies have placed special emphasis, to satisfying demands for better quality and upgraded service. In 1988 the Commission decided to establish uniform quality of service objectives to be used in evaluating the adequacy of the service being provided by the telephone companies.

D. EXTENDED AREA SERVICE (EAS)

Extended Area Service is the industry term applied to the extension of local calling from one telephone exchange to and from another exchange without a toll charge being levied. During 2002, there were four (4) two-way, non-optional extended area service requests brought before the Commission. At the end of 2002, sixty-two (62) counties in North Carolina had county-wide EAS. Only eleven (11) exchanges (out of a total of 425 in North Carolina) located in nine different counties do not have EAS to their county seat. These statistics assume that each exchange is assigned only to the county it primarily serves. Many exchanges provide telephone service in more than one county. Even though an exchange may have EAS to the county seat in which it is primarily located, some subscribers in that exchange may actually be located in an adjacent county, and therefore, may not have EAS to their county seat. There are 38 counties in which all subscribers have EAS to their county seat.

On October 30, 1996, the Commission issued an Order declaring a moratorium on interLATA EAS requests, excluding certain requests active at that time. A moratorium on intraLATA EAS requests has been in effect since May of 1994. In extending the moratorium to interLATA EAS requests, the Commission cited the substantial uncertainty in the current telecommunications environment due to the effects of emerging local telephone competition, of the new Telecommunications Act of 1996, of certain related FCC orders and of the upcoming Universal Service proceedings which started in 1997. The Commission concluded that a moratorium on all EAS requests should be in place until these effects are more clearly known.

The Commission did waive its moratorium on interLATA and intraLATA EAS requests based on special circumstances for four approved requests. These were one-way EAS routes that terminated at exchanges for which reverse calling had been zero-rated effective January 1, 2002, to offset the net tax expense reductions received as a result of North Carolina Session Law 2001-420 (House Bill 571).

E. TELEPHONE RATES--COMMENTS

Local Exchange Rates

These are the monthly charges for basic telephone service as fixed by the Commission. These rates are divided between residential and commercial telephones and are graduated upward from four-party to single-party service. Local exchange rates for a particular company are fixed on a company-wide basis according to the calling scope of the particular exchange; i.e., the number which a subscriber may call without a toll charge. These rate groupings are not standard among the companies.

The practical result of the foregoing "value of service principle" is that a company's subscribers in an urban area will pay a higher monthly local exchange rate than the same company's subscribers in a community having a substantially smaller number of access lines that can be called without a toll charge. Thus unlike electric and natural gas utilities which have standard rates applicable to a customer classification company-wide, the telephone companies have different rates for basic service depending upon the population or calling scope of the particular exchange. Telephone rates also vary substantially between companies and states. Figure No. 6-4 shows a twenty-four year history of average North Carolina telephone bills for local service.

Toll Charges

Calls between two separate exchanges are "long distance" or toll charge calls, unless arrangements have been made for extended area (toll-free) service. IntraLATA toll rates in North Carolina are uniform throughout the State for the regulated local exchange telephone companies.

Service Charges

These are the charges made for installing or rearranging access lines. Charges for inside wiring, jack, and equipment work were deregulated on January 1, 1987.

Special Charges

Certain special equipment requires special rates and special consideration by the Commission. These rates are fixed individually on a case-by-case and company-by-company basis and vary widely because of variances in equipment and operating characteristics.

F. SOURCE AND DISPOSITION OF REVENUES--COMMENTS

The regulated local exchange telephone companies derived about 52.7% of their revenues from local charges, 1.6% from toll charges, 33.6% from access charges, and 12.1% from miscellaneous services in 2002 compared to 52.9%, 1.8%, 33.6%, and 11.7% in 2001.

The components of the disposition of the revenue dollar for the year ended December 31, 2002, as shown in Figure No. 6-5 indicates Operating Expenses were 48.5%, Retained Earnings 10.9%, Interest Expense 2.6%, Dividends 4.4%, Income Taxes 1.7%, Other Taxes 6.3%, and Depreciation Expense 25.6%, while these 2001 expenses were 48.0%, 9.3%, 0.2%, 7.3%, 8.3%, 3.1% and 23.8% respectively.

G. PLANT INVESTMENTS--COMMENTS

The regulated local exchange telephone companies increased gross plant investment in North Carolina 3.6% in 1994, 2.8% in 1995, 5.2% in 1996, 7.0% in 1997, 8.4% in 1998, 3.1% in 1999, 13.4% in 2000, 2.3% in 2001, and 8.7% in 2002. These increases represent investments of \$757 million in 1994, \$288 million in 1995, \$451 million in 1996, \$132 million in 1997, \$761 million in 1998, \$125 million in 1999, \$1,226 million in 2000, \$107 million in 2001, and \$452 million in 2002, bringing the total gross plant investment at December 31, 2002, to \$10,953,283,000. See Figures 6-7 and 6-8.

Figure No. 6-8 shows investment per regulated local exchange access line for 2001 and 2002 on a North Carolina industry-wide basis, while Figure No. 6-7 shows investment per telephone or access line for the regulated local

exchange telephone companies for the years 1975, 1980, 1985, 1990, 1995, and 2000. The information shown on Figure No. 6-7 indicates the variances in this important cost element of providing telephone service, which contributes to the variances in telephone rates between companies.

H. STATISTICAL SUMMARY DATA

Total operating revenues of the sixteen local exchange telephone companies regulated by the Commission increased in 2002 over 2001 by a total of 5.8%. Operating expenses including taxes decreased 3.6% and net operating income decreased 13.0% for the same period. The average annual wage per telephone employee was \$55,841 in 2002, an 11.6% increase from the previous year. Total salaries and wages paid by the telephone companies were approximately \$599 million in 2002. The average number of employees decreased in 2002 from 2001 to 10,731 employees. Figure No. 6-9 shows a detailed account of these and other selected items.

FIGURE NO. 6-1A

TELEPHONE COMPANIES OPERATING IN NORTH CAROLINA
NUMBER OF TOTAL TELEPHONE/ACCESS LINES IN SERVICE/EXCHANGES AND DENSITY DATA
AT YEAR END 1970, 1975, 1980, 1985, 1990, 1995 AND 2000

	Number of Total Leased Telephones in Service (1966-1980)										Number of Exchanges										Number Phones/ Access Lines Per 100 Population*				Number Phones/ Access Lines Per Square Mile Area*				% Households in Area Served Housing Phones**				Average Number Employees			
	Number of Total Access Lines in Service (1966-1985)																																			
	1970	1975	1980	1985	1990	1995	2000	1970	1975	1980	1985	1990	1995	2000	1990*	1995*	2000*	1990*	1995*	2000*	1990**	1995**	2000**	1990	1995	2000	1990	1995	2000							
Class A & B																																				
ALLTEL-Carolina, Inc.	1,253,681	1,763,783	2,246,942	2,778,778	3,295,077	4,122,357	4,986,499	355	368	369	363	361	362	361	45	42	53	72	94	154	92	95	95	95	95	95	95	95	95							
BellSouth (5)	527,190	779,464	982,532	1,368,279	1,705,828	2,100,503	2,505,310	93	94	95	93	92	92	92	52	59	66	66	72	100	92	95	95	95	95	95	95	95	95							
Carolina Telephone Co. (1, 8)	142,461	191,600	241,597	317,299	397,966	491,700	591,444	143	146	148	145	145	145	144	43	31	31	31	31	31	31	31	31	31	31	31	31	31								
Central Telephone Co. (2)	8,704	12,133	15,968	20,248	24,866	29,749	35,150	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3								
Citizens Telephone Co.	56,365	72,353	93,740	117,719	145,453	184,981	233,534	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9								
Concord Telephone Co.	1,084	1,535	2,003	2,525	3,087	3,665	4,248	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Contel of North Carolina (12, 14)	15,825	22,130	28,825	36,507	45,142	54,142	63,142	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3								
Ellebe Telephone Co.	17,082	22,248	28,825	36,507	45,142	54,142	63,142	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3								
Heins Telephone Co. (11)	51,810	77,742	108,747	145,453	184,981	233,534	283,534	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26								
LEXCOM Telephone Co.	64,662	86,473	113,740	145,453	184,981	233,534	283,534	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3								
MEBTel, Inc.	2,104	2,847	3,773	4,983	6,402	8,224	10,428	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2								
Mid Carolina Tel. Co. (4, 10)	97,469	124,839	162,054	208,090	255,428	307,824	364,899	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5								
North State Telephone Co.	16,881	24,645	34,019	44,109	55,155	66,155	77,155	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15								
Plainsville Telephone Co. (8)	27,496	42,181	57,578	74,111	91,111	108,111	125,111	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12								
Randolph Telephone Co.	2,289,005	3,233,099	4,135,884	5,081,509	6,027,171	6,972,844	7,918,417	355	368	369	363	361	362	361	45	42	53	72	94	154	92	95	95	95	95	95	95	95								
Saluda Mountain Tel. Co. (13)	354	613	878	1,166	1,454	1,742	2,030	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Service Telephone Co.	184	339	452	565	678	791	904	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Verizon South, Inc. (3, 13)	520	833	1,166	1,496	1,826	2,156	2,486	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Westco Telephone Co. (9)	600	915	1,249	1,583	1,917	2,251	2,585	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Western Carolina Telephone (7, 9)	1,658	2,700	4,109	5,518	6,927	8,336	9,745	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4								
Total Class A & B	2,289,005	3,233,099	4,135,884	5,081,509	6,027,171	6,972,844	7,918,417	355	368	369	363	361	362	361	45	42	53	72	94	154	92	95	95	95	95	95	95	95								
Class C & D																																				
Bernardsville Tel. Co.	354	613	878	1,166	1,454	1,742	2,030	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Contel of Virginia (12, 14)	184	339	452	565	678	791	904	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Saluda Mountain Tel. Co. (13)	520	833	1,166	1,496	1,826	2,156	2,486	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Service Telephone Co.	600	915	1,249	1,583	1,917	2,251	2,585	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1								
Total Class C & D	1,658	2,700	4,109	5,518	6,927	8,336	9,745	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4								
Grand Total All Classes:	2,290,663	3,235,799	4,139,993	5,085,730	6,031,359	6,977,011	7,922,589	359	372	373	367	365	365	364	45	42	53	72	93	197	90	93	95	95	95	95	95	95								
United States Totals	120,783,300	148,623,000	180,180,000	217,434,802	254,743,029	292,219,824	330,828,589	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120								
Special Services & Private Lines	28,752	41,555	56,753	74,111	91,111	108,111	125,111	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12								
Weighted Average																																				
Simple Average																																				

- (1) United Telephone Company of the Carolinas, Inc. merged with Carolina Telephone and Telegraph Company November 1, 1978. All figures for United for the period 1960-1978 are included in Carolina Telephone (Docket No. P-7, Sub 625).
- (2) Morris Telephone Company merged with Central Telephone Company November 4, 1965. All figures for Morris for 1965 and prior years are included in Central (Docket No. P-10, Sub 33).
- (3) General Telephone of North Carolina merged with General Telephone of the Southeast December 21, 1970. All figures for 1970 and prior years are included in General Telephone of the Southeast (Docket No. P-19, Sub 121).
- (4) Lilesville Telephone Company merged with North Carolina Telephone Company December 31, 1968 (Docket No. P-70). Denton Telephone Company merged with North Carolina Telephone Company April 29, 1966 (Docket No. P-18, Sub 12).
- (5) Eastern Rowan, Mid-Carolina, Mooresville and Thermal Bell Telephone Companies merged into Mid-Carolina Telephone Company December 10, 1973 (Docket No. P-50, Sub 41). All figures for merged companies are included in Mid-Carolina Telephone Company. North Carolina Telephone Company and Old Town Telephone Systems, Inc. were merged into Mid-Carolina Telephone Company September 30, 1977 (Docket No. P-118, Sub 9). All figures for merged companies prior to 1977 are included in Mid-Carolina.
- (6) Chapel Hill Telephone Company came under Commission jurisdiction on January 1, 1973 (Docket No. P-114) and was sold to Southern Bell Telephone and Telegraph Company April 1, 1977 (Docket No. P-55, Sub 758). All figures for 1978 and prior years are included in Southern Bell.
- (7) Pineville Telephone Company came under Commission jurisdiction January 1, 1976 (Docket No. P-120, Sub 1).
- (8) Cooleemee Telephone Company merged with Western Carolina Telephone Company January 11, 1967 (Docket No. P-58, Sub 59), and was sold to Yadkin Valley Telephone Membership Corporation on May 18, 1978. All figures for Cooleemee for years prior to 1967 are included in Western Carolina.
- (9) Norfolk and Carolina Telephone and Telegraph Co. merged into Carolina Telephone and Telegraph Co. December 27, 1979 (Docket No. P-7, Sub 645). All figures for Norfolk and Carolina prior to 1980 are included in Carolina Telephone.
- (10) Westco Telephone Company and Western Carolina Telephone Company were merged into Continental Telephone of North Carolina in November, 1982 (Docket No. P-128).
- (11) Mid Carolina Telephone Company changed its name to ALLTEL-Carolina, Inc. February 13, 1984 (Docket No. P-118, Sub 32).
- (12) Heins Telephone Company merged with ALLTEL Corporation June 26, 1986 (Docket No. P-26, Sub 94).
- (13) Continental Telephone of North Carolina (Docket No. P-128) and Continental Telephone of Virginia (P-28) changed their names to Contel of North Carolina and Contel of Virginia in 1988.
- (14) Saluda Mountain Telephone Company capital stock sold to Telephone Data Systems, Inc. January 2, 1990 (Docket No. P-78, Sub 24).
- (15) GTE South took over operations of Contel of North Carolina (July 15, 1991) and Contel of Virginia (August 1, 1991).
- (16) ALLTEL Carolina, Inc., merged with Heins Telephone Company and Sandhill Telephone Company effective September 14, 1994. ALLTEL Carolina, Inc., was the surviving corporation.

FIGURE NO. 6-2A

**REGULATED LOCAL EXCHANGE TELEPHONE COMPANIES OPERATING IN NORTH CAROLINA
NUMBER OF TOTAL ACCESS LINES
AT THE YEAR END FOR THE YEARS 1998 THROUGH 2002**

Telephone Companies	Number of Access Lines				
	1998	1999	2000	2001	2002
Class A & B:					
ALLTEL-Carolina, Inc.	206,817	221,808	233,534	236,245	235,868
BellSouth	2,465,266	2,514,621	2,475,835	2,384,236	2,255,702
Carolina Telephone Co.	1,128,923	1,179,168	1,226,732	1,213,971	1,193,151
Central Telephone Co.	265,798	276,707	289,033	284,660	276,343
Citizens Telephone Co.	19,108	20,202	21,021	21,347	21,383
Concord Telephone Co.	107,796	113,247	117,719	117,583	114,216
Ellerbe Telephone Co.	2,255	2,417	2,453	2,465	2,472
LEXCOM	33,500	34,771	35,150	33,185	32,994
MEBTEL, Inc.	9,886	11,384	12,087	12,387	12,258
North State Telephone Co.	123,339	130,492	135,921	134,579	131,877
Pineville Telephone Co.	1,950	1,990	2,088	2,021	1,964
Randolph Telephone Co.	4,535	4,825	5,015	5,026	4,953
Verizon South, Inc.	331,947	352,058	356,855	365,233	342,469
Totals: Class A & B	4,701,120	4,863,690	4,913,443	4,812,938	4,625,650
Class C & D:					
Barnardsville Telephone Co.	1,438	1,541	1,582	1,604	1,613
Saluda Mountain Tel. Co.	1,745	1,839	1,846	1,864	1,898
Service Telephone Co.	1,232	1,301	1,297	1,303	1,304
Totals: Class C & D	4,415	4,681	4,725	4,771	4,815
Grand Totals *	4,705,535	4,868,371	4,918,168	4,817,709	4,630,465
United States Totals**	180,471,261	186,658,645	188,626,589	179,746,541	N/A

North Carolina as % of
United States Total

2.6%

2.6%

2.6%

2.7%

N/A

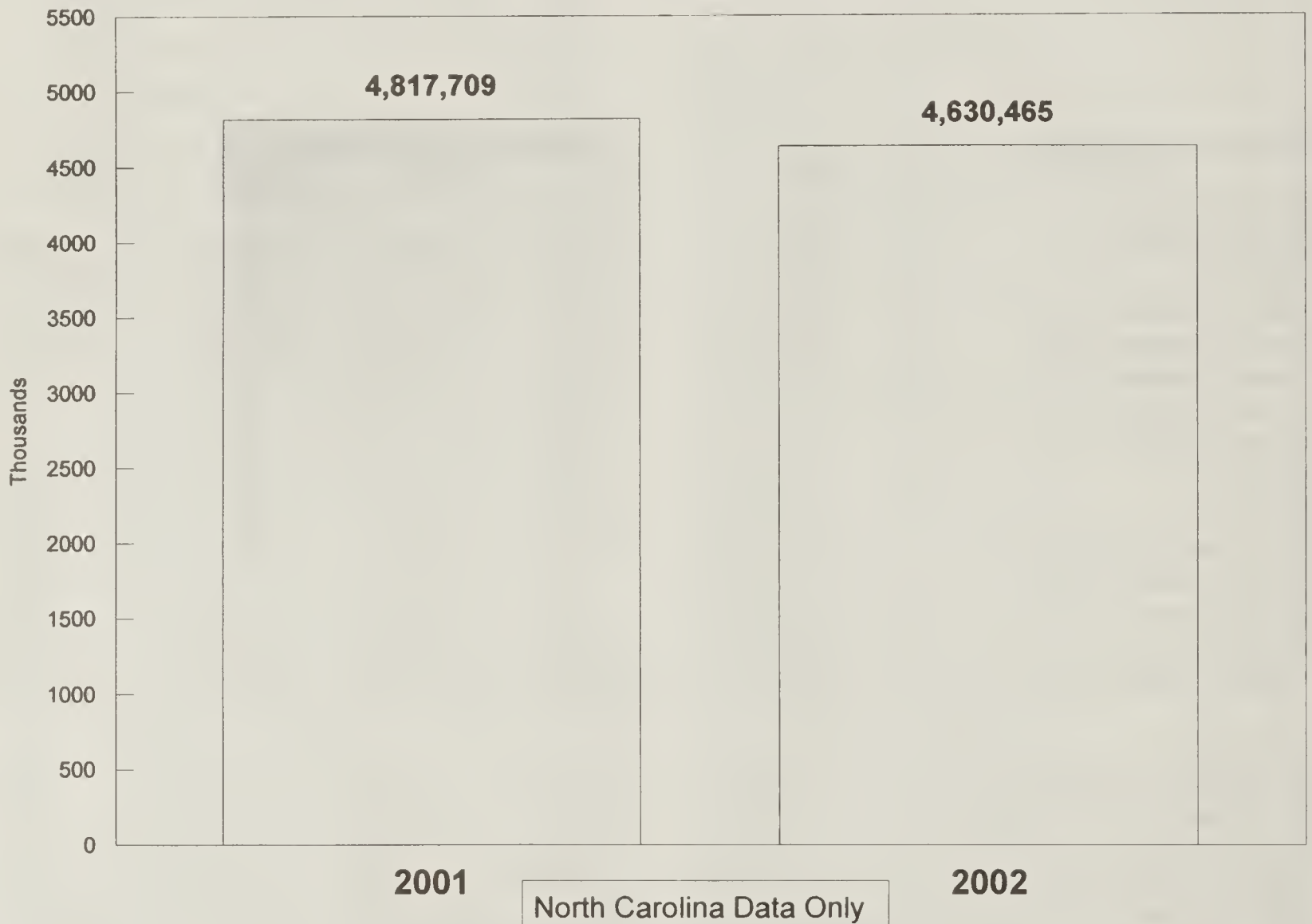
*Access Lines were revised using the Public Staff Phone Development Report for the appropriate year.

** United States Totals from USTA Phone Facts Figure 6: Total U.S. Telephone Lines.

N/A - Not Available Previous U.S. totals have been obtained from USTA; however, this information was not available for 2002 from this source and no other source has been found.

FIGURE NO. 6-3

Access Lines in Service December 31



Access Line - A telephone company facility which allows access to and/or from the exchange network. Access line includes the following categories for service: individual line, two- and four-party service, key trunk, rotary line, PBX trunk, centrex trunk, 800 service and outwats (interstate and intrastate), L.D. trunk (toll terminal), foreign exchange, semipublic, public, mobile telephone, and service station (farmer line). The total access lines in service at December 31, 2001, was 4,817,709 compared to 4,630,465 access lines at December 31, 2002.

**NORTH CAROLINA REGULATED LOCAL EXCHANGE TELEPHONE RATES VS.
U. S. AVERAGE MONTHLY TELEPHONE RATES**

At December 31	North Carolina Average Monthly Telephone Bills For All Customers Local Telephone Service (a)	U. S. Average Monthly Telephone Bills For All Customers Local Telephone Service (b)
1979 (c)	\$18.01	\$20.09
1980	\$19.78	\$21.58
1981	\$22.41	\$24.70
1982 (e)	\$24.40	\$26.79
1983	\$25.48	\$27.40
1984	\$22.37 (d)	\$23.22
1979-1984 % Change	24.2%	15.6%
1985	\$22.25	\$23.81
1986	\$22.30	\$22.34
1987	\$21.94	\$23.45
1988	\$21.07	\$23.02
1989	\$21.67	\$22.84
1990	\$22.61	\$23.08
1991	\$21.99	\$23.59
1992	\$23.83	\$23.95
1993	\$23.40	\$24.14
1994	\$23.10	\$23.84
1995	\$24.35	\$24.42
1996	\$25.81	\$25.17
1997	\$29.01	\$31.58
1998	\$29.76	\$33.17
1999	\$31.19	\$33.50
2000	\$32.29	\$34.67
2001	\$33.37	\$35.50
2002	\$32.52	N/A
1985-2002 % Change	46.2%	N/A
2001-2002 % Change	-2.5%	N/A

(a) Average local service revenue per access line.

(b) This number was calculated with information obtained from Moody's Public Utility Manual and the United States Telephone Association Telephone Statistics Book for 1986 and previous years. The United States Telephone Association Telephone Statistics Books (1988-1996) were used to calculate the 1987 through 1996 numbers. The figure for 1997 was provided by personnel of United States Telephone Association. Source for 1998-2000 USTA Phone Facts. Total U.S. access line information was not available so calculation could not be made for 2002.

(c) For the years 1977-1979, the total number of residential and business main lines for the 13 largest telephone companies are used to calculate the average monthly local telephone bills for local service. For 1980-1981, 12 of the largest telephone companies are used.

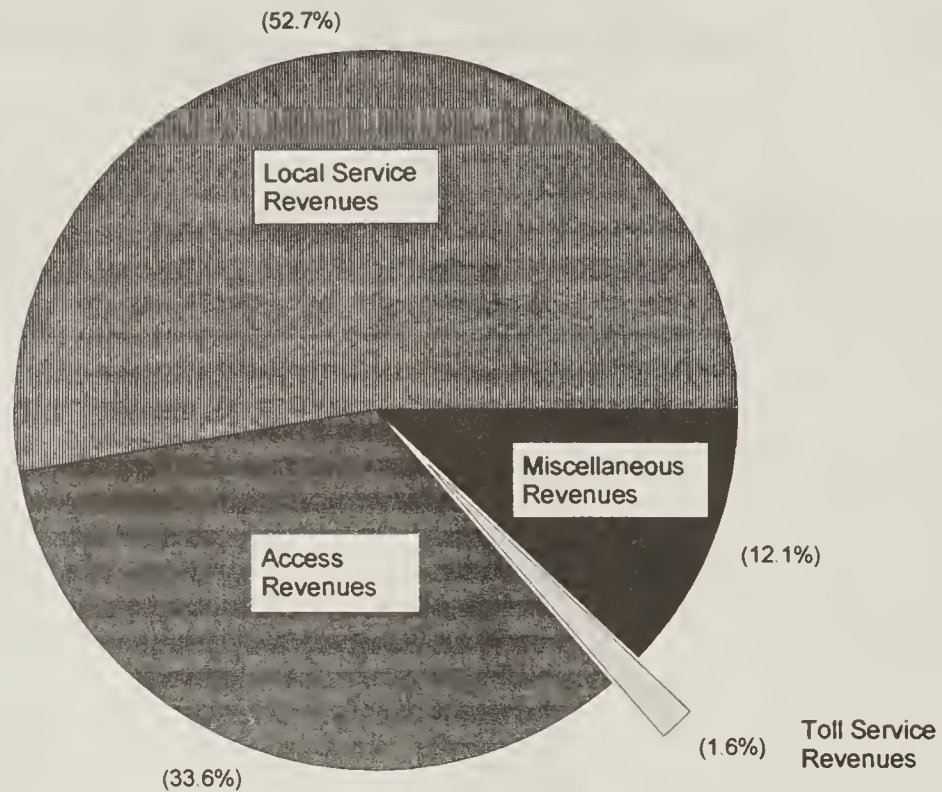
(d) As a result of the divestiture, the lease revenue from nonregulated terminal equipment was not included in local service revenues for 1984-1996.

(e) For the years 1982-1983, the total number of residential and business access lines of the 11 largest telephone companies were used to calculate the average monthly telephone bills for local service. For 1984-1994, 12 of the largest telephone companies are used. For 1995 through 2002 ten of the largest telephone companies are used.

FIGURE NO. 6-5

SOURCE AND DISPOSITION OF THE REVENUE DOLLAR
Regulated Local Exchange Telephone Companies (N. C. Data Only) for 2002

SOURCE:



DISPOSITION:

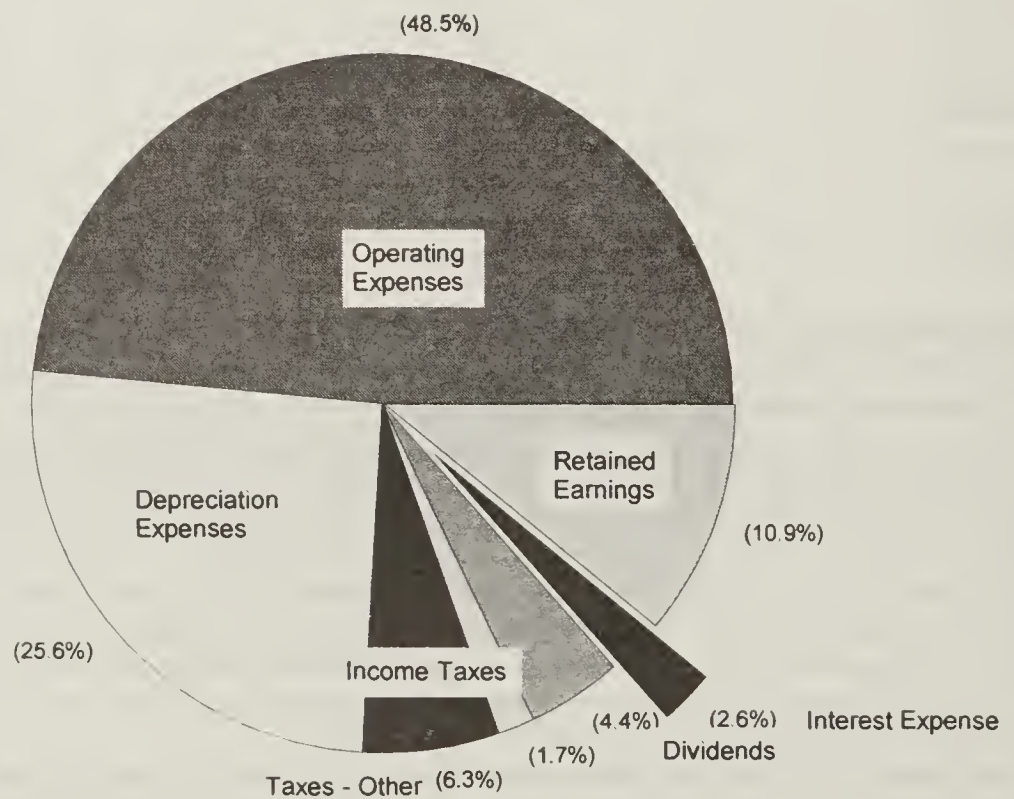


FIGURE NO. 6-6

Regulated Local Exchange Telephone Companies' Plant Investment/Access Line With Percent Change 2002 Over 2001

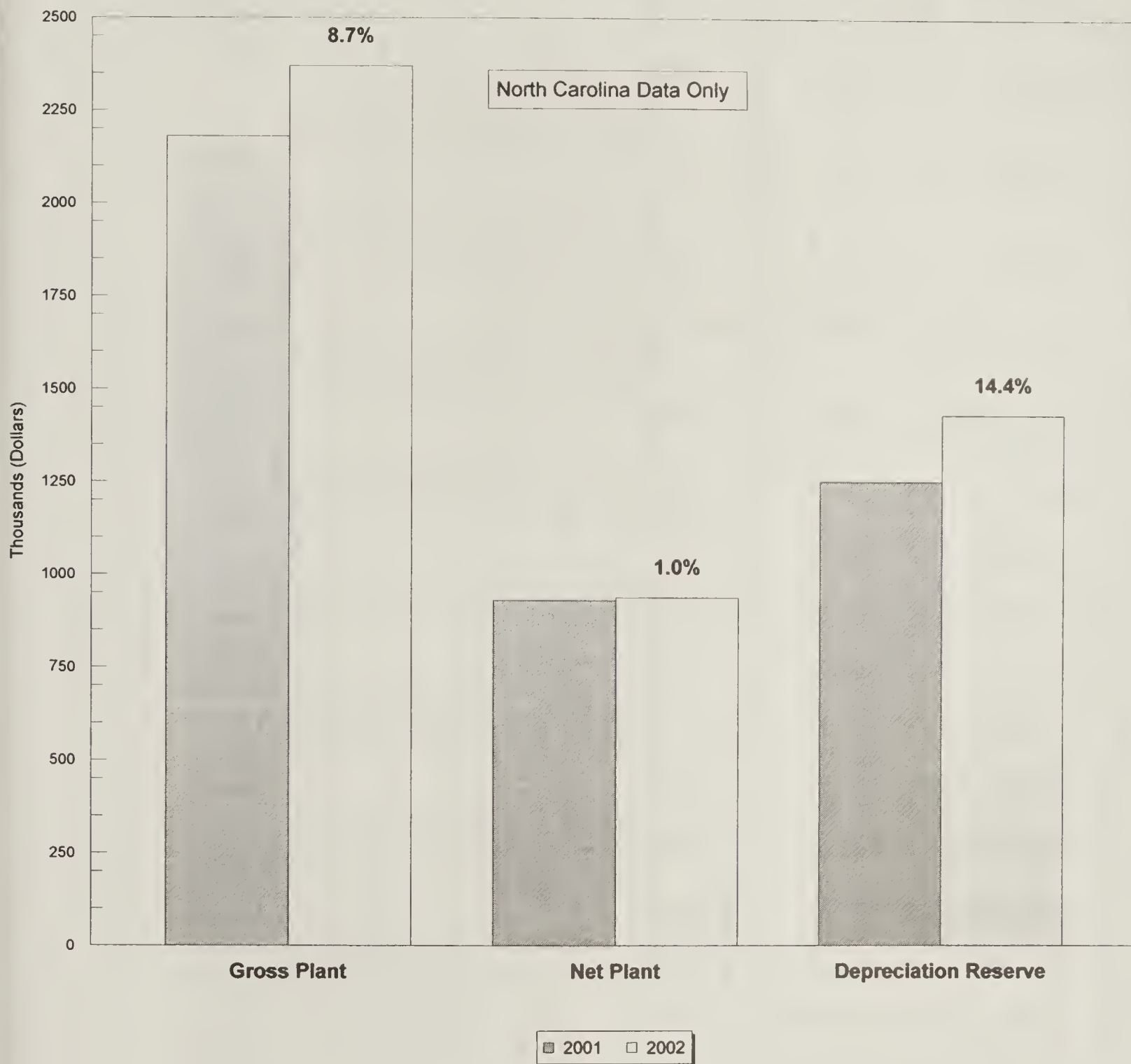


FIGURE NO. 6-7

GROSS AND NET TELEPHONE PLANT ALLOCATED TO NORTH CAROLINA OPERATIONS
For the Years Ended December 31, 1975, 1980, 1985, 1990, 1995, and 2000

	1975		1980		1985		1990		1995		2000		1990 (000's)		1995 (000's)		2000 (000's)		2000 vs 1995	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	%Change/Line	Net
Class A & B:																				
ALL TEL-Carolina, Inc. (10)					\$1,789	\$1,273	\$1,762	\$1,282	\$1,822	\$1,073	\$1,865	\$988	\$161,264	\$130,455	\$310,746	\$182,905	\$435,511	\$230,202	140.3	76.5
BellSouth (5)	\$666	\$427	\$880	\$727	1,908	1,425	1,990	1,294	1,914	1,029	2,521	1,152	3,405,449	2,214,833	4,517,767	2,429,028	6,315,953	2,885,501	85.5	30.3
Carolina Telephone Co. (1,8)	\$821	\$625	\$971	\$707	2,087	2,044	1,712	1,028	1,804	950	1,884	722	1,364,283	819,251	1,789,475	942,022	2,433,650	885,385	78.4	8.1
Central Telephone Co. (2)	763	636	887	716	1,836	1,287	1,552	995	1,895	1,053	1,867	917	321,479	205,971	401,432	249,322	524,044	266,163	63.0	39.9
Citizens Telephone Co.	892	655	1,085	743	2,869	1,968	2,534	1,795	2,561	1,422	2,909	1,427	35,543	25,172	42,241	23,461	81,154	29,992	72.1	19.1
Concord Telephone Co.	546	395	617	410	935	541	1,111	716	1,397	608	1,990	845	85,458	55,080	127,958	55,849	234,312	98,432	174.2	80.5
Elberle Telephone Co.	735	537	1,025	749	1,866	730	1,711	1,030	2,188	1,264	2,341	1,197	206,130	144,186	4,265	2,463	5,743	2,936	98.3	66.3
GTE of North Carolina (12, 14)					2,148	1,673	2,254	1,577					36,922	23,482					N/COMP	N/COMP
Heins Telephone Company (11)	732	572	787	745	1,501	883	1,463	931					41,248	28,678	65,502	39,835	92,114	52,873	123.3	97.4
LEXCOM	630	465	722	507	1,548	973	1,659	1,073	2,202	1,339	2,821	1,499	10,755	4,764	13,253	6,120	21,663	28,822	101.4	505.0
MEBEL, Inc.	840	602	980	658	1,111	581	1,735	769	1,685	778	1,794	2,388							N/COMP	N/COMP
Mid Carolina Tel. Co. (4, 10)	681	515	794	603															N/COMP	N/COMP
North State Telephone Co.	471	318	567	390	1,008	543	1,193	893	1,515	769	1,760	788	106,858	82,086	158,500	80,480	241,898	106,656	126.4	72.1
Pineville Telephone Co. (6)			716	532	1,155	776	1,144	613	1,446	714	1,728	913	2,557	1,370	2,952	1,457	4,503	2,380	78.1	73.7
Randolph Telephone Co.	797	563	870	577	1,481	923	1,992	1,472	1,982	1,284	2,012	966	6,507	4,809	7,783	5,044	9,804	4,707	50.7	(2.1)
Sandhill Telephone Co.	622	368	703	425	1,167	845	1,686	1,029					7,085	4,323					N/COMP	N/COMP
Ventzon South, Inc. (3, 12, 14)	852	691	1,019	798	1,898	1,525	2,588	1,798	2,220	1,347	2,361	1,150	401,919	279,507	749,984	454,896	908,237	442,587	128.0	58.3
Westco Telephone Co. (9)	992	644	1,221	951															N/COMP	N/COMP
Western Carolina Tel. Co. (7, 9)	1,048	927	1,213	987															N/COMP	N/COMP
Total Class A & B	\$722	\$576	\$896	\$706	\$1,824	\$1,487	\$1,677	\$1,209	\$2,041	\$1,114	\$2,077	\$924	\$6,216,351	\$4,003,723	\$8,191,856	\$4,472,662	\$10,379,349	\$4,817,051	87.0	15.3
Class C & D:																				
Barnardsville Tel. Co.	\$322	\$227	\$1,016	\$925	\$1,228	\$907	\$2,449	\$1,775	\$2,579	\$1,540	\$2,946	\$1,620	\$2,295	\$1,663	\$3,059	\$1,828	\$4,445	\$2,545	93.7	53.0
GTE Virginia (12, 14)	947	764	1,071	662	1,874	1,388	2,053	1,469					975	686					N/COMP	N/COMP
Saluda Mountain Tel. Co. (13)	402	303	413	274	496	256	946	327	2,597	2,142	2,926	1,931	1,122	387	3,885	3,204	5,153	3,570	359.3	822.5
Service Telephone Co.	956	811	724	537	1,044	627	1,630	777	2,089	1,367	2,689	1,674	1,609	767	2,342	1,547	3,846	2,161	139.0	181.7
Total Class C & D	\$640	\$516	\$725	\$573	\$943	\$611	\$1,675	\$981	\$2,548	\$1,805	\$2,868	\$1,757	\$6,001	\$3,515	\$9,266	\$6,577	\$13,509	\$8,278	125.1	135.4
GRAND TOTAL ALL CLASSES	\$722	\$578	\$898	\$703	\$1,823	\$1,487	\$1,877	\$1,209	\$2,042	\$1,115	\$2,076	\$925	\$6,222,352	\$4,007,238	\$8,201,142	\$4,479,239	\$10,392,858	\$4,825,327	87.0	15.4

N/A - Not Available

Note: Per phone data for all years based on number of regular telephones (excluding service and private) in service at end of year. Access lines are used now instead of phone lines

- (1) United Telephone Company of the Carolinas, Inc. merged with Carolina Telephone Company November 1, 1978. All figures for United for the period 1960-1978 are included in Carolina (Docket No. P-7, Sub 625).
- (2) Morris Telephone Company merged with Central Telephone Company November 4, 1965. All figures for Morris for 1965 and prior years are included in Central (Docket No. P-10, Sub 218). Lee Telephone Company merged with Central March 6, 1973. All figures for Lee for 1973 and prior years are included in Central (Docket No. P-10, Sub 33).
- (3) General Telephone of North Carolina merged with General Telephone of the Southeast December 21, 1970. All figures for 1970 and prior years for General Telephone of N.C. are included in General Telephone of the Southeast (Docket No. P-19, Sub 121).
- (4) Lilesville Telephone Company merged with North Carolina Telephone Company December 31, 1988 (Docket No. P-70). Denton Telephone Company merged with North Carolina Telephone Company April 29, 1988 (Docket No. P-18, Sub 12). Eastern Rowan, Mid-Carolina, Mooresville and Thermal Belt Telephone Companies merged into Mid-Carolina Telephone Company December 10, 1973 (Docket No. P-50, Sub 41). All figures for merged companies are included in Mid-Carolina Telephone Company. North Carolina Telephone Company and Old Town Telephone Systems, Inc. were merged into Mid-Carolina Telephone Company September 3, 1977 (Docket No. P-118, Sub 9). All figures for merged companies prior to 1977 are included in Mid-Carolina.
- (5) Chapel Hill Telephone Company came under Commission jurisdiction on January 1, 1973 (Docket No. P-114) and was sold to Southern Bell Telephone and Telegraph Company April 1, 1977 (Docket No. P-55, Sub 758). All figures for 1976 and prior years are included in Southern Bell.
- (6) Pineville Telephone Company came under Commission jurisdiction January 1, 1976 (Docket No. P-120, Sub 1).
- (7) Cooleemee Telephone Company merged with Western Carolina Telephone Company January 11, 1987 (Docket No. P-58, Sub 59), and was sold to Yadkin Valley Telephone Membership Corporation on May 16, 1978. All figures for Cooleemee for years prior to 1987 are included in Western Carolina.
- (8) Norfolk & Carolina Telephone and Telegraph Company merged into Carolina Telephone and Telegraph Co. December 27, 1979 (Docket No. P-7, Sub 645). All figures for Norfolk prior to 1980 are included in Carolina Telephone.
- (9) Westco Telephone Company and Western Carolina Telephone Company were merged into Continental Telephone of North Carolina in November, 1982 (Docket No. P-128).
- (10) Mid Carolina Telephone Company changed its name to ALL TEL-Carolina, Inc. February 13, 1984 (Docket No. P-118, Sub 32).
- (11) Heins Telephone Company merged with ALL TEL Corporation June 26, 1986 (Docket No. P-26, Sub 94). They still operate as a separate entity.
- (12) Continental Telephone of North Carolina (Docket No. P-128) and Continental Telephone of Virginia (P-28) changed their names to Contel of North Carolina and Contel of Virginia in 1988.
- (13) Saluda Mountain Telephone Company capital stock sold to Telephone Data Systems, Inc. January 2, 1990 (Docket No. P-76, Sub 24).
- (14) GTE South took over the operations of Contel of North Carolina (July 15, 1991) and Contel of Virginia (August 1, 1991).

FIGURE NO. 6-8

GROSS AND NET TELEPHONE PLANT ALLOCATED TO NORTH CAROLINA OPERATIONS*
For the Years Ended December 31, 2001 and 2002

COMPANY	2001		2002		2001		2002		2001 vs 2002	
	Total Plant (000's)		Total Plant (000's)		Per Access Line		Per Access Line		%Change Per Access Line	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Class A & B Local Exchange:										
ALLTEL-Carolina, Inc.	\$471,416	\$251,020	\$503,453	\$259,554	\$1,995.45	\$1,062.54	\$2,134.47	\$1,100.42	7.0	3.6
BellSouth	6,204,588	2,744,469	6,482,876	2,671,143	2,602.34	1,151.09	2,872.96	1,183.75	10.4	2.8
Carolina Telephone Co.	2,525,793	831,046	2,629,522	787,152	2,080.60	684.57	2,202.38	659.29	5.9	(3.7)
Central Telephone Co.	546,609	285,909	562,794	284,821	1,920.22	1,004.39	2,036.18	1,030.48	6.0	2.6
Citizens Telephone Co.	65,755	33,041	69,571	34,564	3,080.29	1,547.81	3,253.57	1,616.42	5.6	4.4
Concord Telephone Co.	270,159	117,439	266,871	92,796	2,297.60	998.78	2,336.06	812.29	1.7	(18.7)
Ellerbe Telephone Co.	6,513	3,427	7,004	3,628	2,642.19	1,390.26	2,833.33	1,467.64	7.2	5.6
LEXCOM	95,970	52,334	99,021	51,059	2,891.97	1,577.04	2,999.45	1,546.63	3.7	(1.9)
MEBTEL, Inc.	23,211	28,530	23,574	27,720	1,873.82	2,303.22	1,921.74	2,259.72	2.6	(1.9)
North State Telephone Co.	262,145	115,815	279,492	116,715	1,947.89	860.57	2,117.73	884.36	8.7	2.8
Pineville Telephone Co.	4,591	2,293	4,956	2,421	2,271.65	1,134.59	2,517.01	1,229.56	10.8	8.4
Randolph Telephone Co.	9,922	4,561	10,228	4,469	1,974.13	907.48	2,062.51	901.19	4.5	(0.7)
Verizon South, Inc.	927,673	433,917	907,677	412,784	2,539.95	1,188.06	2,649.88	1,205.09	4.3	1.4
Total: Class A & B	\$10,486,672	\$4,469,884	\$10,939,362	\$4,336,042	\$2,178.85	\$928.72	\$2,363.97	\$937.01	8.5	0.9
Class C & D Local Exchange:										
Barnardsville Telephone Co.	\$5,111	\$2,760	\$5,069	\$2,750	\$3,186.41	\$1,720.70	\$3,142.59	\$1,704.90	(1.4)	(0.9)
Saluda Mountain Tel. Co.	5,486	3,372	5,234	3,274	2,943.13	1,809.01	2,757.64	1,724.97	(6.3)	(4.6)
Service Telephone Co.	3,568	2,060	3,618	1,977	2,736.76	1,580.97	2,772.41	1,514.94	1.3	(4.2)
Total: Class C & D	\$14,163	\$8,192	\$13,921	\$8,001	\$2,968.56	\$1,717.04	\$2,890.57	\$1,661.34	(2.6)	(3.2)
Grand Totals	\$10,500,835	\$4,478,076	\$10,953,283	\$4,344,043	\$2,179.63	\$929.50	\$2,369.12	\$937.76	8.7	0.9

*Gross plant includes plant under construction and held for future telephone use.

FIGURE NO. 6-9A

REGULATED LOCAL EXCHANGE TELEPHONE COMPANIES
SUMMARY OF SELECTED DATA—INCOME STATEMENT, BALANCE SHEET, AND STATISTICAL ITEMS
For the Calendar Years 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002
(N.C. Data Only Unless Otherwise Noted) (Dollars in 000's)

ITEM	1995	1996	1997	1998	1999	2000	2001	2002	% Change 2002-2001
Number of Companies Included in this Data	16	16	16	16	16	16	16	16	
INCOME STATEMENT:									
Revenues:									
Local Service Revenues	\$1,204,464	\$1,416,285	\$1,548,994	\$1,679,075	\$1,818,739	\$1,903,891	\$1,922,645	\$1,804,951	(6.1)
Access Revenues	959,992	1,038,197	1,068,443	1,119,972	1,145,230	1,190,436	1,221,185	1,149,714	(5.9)
Toll Service Revenues	250,250	154,962	124,386	98,719	89,171	73,228	64,824	54,648	(15.7)
Misc. Revenues less Uncollectibles	402,258	424,258	359,595	449,073	485,363	476,360	425,887	413,577	(2.9)
Total Operating Revenues	\$2,816,964	\$3,033,702	\$3,101,418	\$3,346,839	\$3,538,503	\$3,643,915	\$3,634,541	\$3,422,890	(5.8)
Expenses:									
Plant Operations - Specific	\$638,907	\$680,937	\$639,441	\$673,808	\$702,378	\$682,384	\$653,212	\$637,528	(2.4)
Plant Operations - Non-Specific	228,439	240,149	236,633	274,927	279,966	277,559	353,935	275,721	(22.1)
Depreciation	550,940	691,253	719,615	725,375	781,500	851,193	864,293	875,200	1.3
Customer Operations	317,406	333,918	345,488	417,526	439,172	438,224	431,837	432,054	0.1
Corporate Operations	253,336	296,786	272,160	262,268	253,210	225,374	286,247	312,567	9.2
Total Operating Expenses Before Taxes	\$1,989,028	\$2,243,043	\$2,213,337	\$2,353,904	\$2,456,226	\$2,474,734	\$2,589,524	\$2,533,070	(2.2)
Other Income and Expenses	\$300	\$330	\$230	\$1,173	\$147	\$473	(\$19,616)	\$1,524	N/C
Operating Taxes:									
Operating Investment Tax Credits-Net	(\$9,548)	(\$9,828)	(\$6,458)	(\$6,608)	(\$9,931)	(\$2,466)	\$2,393	\$2,542	6.2
Operating State and Local Income Tax	45,792	39,549	55,799	54,257	57,100	58,868	54,829	51,090	(6.8)
Provision for Deferred Operating Income Tax-Net	12,208	(18,838)	(4,243)	(17,458)	20,511	72,047	18,298	45,615	N/C
Operating Federal Income Tax	200,202	208,235	240,591	268,923	261,601	177,585	155,725	83,974	(46.1)
Other Operating Taxes	80,055	86,428	87,471	93,729	88,953	175,645	163,153	164,143	0.6
Total Operating Taxes	\$328,709	\$305,546	\$373,160	\$392,843	\$418,234	\$481,679	\$394,398	\$342,280	(13.2)
Total Operating Expenses	\$2,317,737	\$2,548,589	\$2,586,497	\$2,746,747	\$2,874,460	\$2,956,413	\$2,983,922	\$2,875,350	(3.6)
Net Operating Income	\$499,527	\$485,443	\$515,151	\$601,265	\$664,190	\$687,975	\$631,003	\$549,064	(13.0)
Non Operating Income and Expenses:									
Dividend and Interest Income	\$3,915	\$5,070	\$3,000	\$4,891	\$2,624	\$12,925	\$12,274	\$18,839	53.5
Other Non Operating Income and Expenses	102	93,129	71,063	(110,945)	(204,490)	(269,607)	(281,777)	(237,303)	(15.8)
Special Charges	(21,232)	(7,904)	(6,594)	(8,794)	(1,418)	4,825	3,597	6,841	90.2
Total Non Operating Income	(\$17,215)	\$90,295	\$67,469	(\$114,848)	(\$203,284)	(\$251,857)	(\$265,906)	(\$211,623)	(20.4)
Non Operating Taxes:									
Non Operating Investment Tax Credits-Net	\$0	\$529	\$640	\$707	(\$67,509)	\$9	\$13	\$15	15.4
Non Operating Federal Income Tax	4,058	1,371	1,698	(41,015)	(17,895)	(84,603)	(79,830)	(92,178)	15.5
Non Operating State and Local Income Tax	(47)	347	41	(9,177)	199	(17,781)	(18,286)	13,596	(174.4)
Non Operating Other Tax	13	(1,511)	(211)	14	(64)	(6,178)	(19,906)	8,674	N/C
Provision for Deferred Non Operating Income Tax-Net	(12,716)	29,496	18,553	603	0	(1,694)	(5,207)	4,771	N/C
Total Non Operating Taxes	(\$8,692)	\$30,232	\$20,721	(\$48,868)	(\$85,269)	(\$110,247)	(\$123,196)	(\$65,122)	(47.1)
Total Non Operating Income and Expenses	(\$8,523)	\$60,063	\$46,748	(\$65,980)	(\$118,015)	(\$141,610)	(\$142,710)	(\$146,501)	2.7
Fixed Charges:									
Interest on Funded Debt	\$84,765	\$81,002	\$78,725	\$78,298	\$98,109	\$89,475	\$94,186	\$87,504	(7.1)
Other Fixed Charges	19,957	14,098	30,084	43,462	33,207	36,193	22,773	19,910	(12.6)
Total Fixed Charges	\$104,722	\$95,100	\$108,809	\$121,760	\$131,316	\$125,668	\$116,959	\$107,414	(8.2)
Extraordinary & Delayed Items (Net)	17,087	(253)	1,943	(16,137)	(22,151)	(22,858)	2,611	2,239	(14.2)
Net Income	\$403,369	\$450,153	\$455,033	\$397,388	\$392,708	\$397,839	\$373,945	\$297,388	(20.5)

N/C = Not Comparable

REGULATED LOCAL EXCHANGE TELEPHONE COMPANIES
SUMMARY OF SELECTED DATA—INCOME STATEMENT, BALANCE SHEET, AND STATISTICAL ITEMS
For the Calendar Years 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002
(N.C. Data Only Unless Otherwise Noted) (Dollars in 000's)

ITEM	1995	1996	1997	1998	1999	2000	2001	2002	% Change 2002-2001
BALANCE SHEET:									
Assets:									
Telephone Plant in Service	\$8,129,349	\$8,577,743	\$8,941,304	\$9,693,738	\$9,915,330	\$11,156,315	\$11,304,665	\$11,770,384	4.1
Less Depreciation Reserve	3,735,765	4,176,534	4,582,076	5,199,479	5,414,781	6,259,723	6,539,217	7,129,421	9.0
Net Telephone Plant in Service	\$4,393,584	\$4,401,209	\$4,359,228	\$4,494,259	\$4,500,549	\$4,896,592	\$4,765,448	\$4,640,963	(2.6)
Telephone Plant Under Construction & Held for Future Use	71,793	75,760	69,952	78,839	87,614	144,780	123,843	90,577	(26.9)
Telecommunication Plant Adjustment	5,820	5,860	5,486	6,057	5,497	5,365	5,289	7,608	43.8
Non-Operating Plant	8,041	7,633	7,194	28,594	23,657	21,177	17,413	17,681	1.5
Total Net Telephone Plant	\$4,479,238	\$4,490,462	\$4,441,860	\$4,607,749	\$4,617,317	\$5,067,914	\$4,911,993	\$4,756,829	(3.2)
Investments & Funds:									
Investments and Advances to Affiliated Companies									
Other Investments	\$78,425	\$83,435	\$116,891	\$159,149	\$153,464	\$442,776	\$398,214	\$419,973	5.5
Sinking Funds	19,766	22,291	25,257	27,971	58,712	28,813	28,964	19,884	(31.3)
Non-Regulated Investments	1	(712)	0	3,966	4,985	1	0	0	N/C
Other Non Current Assets	14,876	17,679	7,400	6,328	6,900	9,054	18,684	17,050	(8.7)
Total Investments & Funds	203,065	166,063	145,556	159,516	183,524	542,386	634,928	191,207	(69.9)
	\$316,133	\$288,756	\$295,104	\$356,930	\$407,585	\$1,023,030	\$1,080,790	\$648,114	(40.0)
Current Assets:									
Cash	\$7,584	\$20,165	(\$1,374)	\$24,679	\$26,746	\$39,565	\$31,476	\$55,337	75.8
Special Cash Deposits	176	1,412	7,333	3,005	3,017	235	1,187	19	N/C
Working Funds	376	302	184	175	88	90	93	155	66.7
Temporary Cash Investments	129,455	19,034	19,731	26,647	25,833	32,672	33,695	36,313	7.8
Notes Receivable	943	6,298	2,965	1,940	814	424	50,382	24,608	(51.2)
Notes Receivable Allowance	0	0	0	0	0	0	0	0	N/C
Accounts Receivable-Telecommunications	445,101	501,172	528,454	489,146	563,778	341,562	289,433	358,518	23.9
Accounts Receivable Allowance-Telecommunications	(14,740)	(14,310)	(17,377)	(16,208)	(32,617)	(19,938)	29,041	47,190	62.5
Other Accounts Receivable	42,827	44,693	80,396	116,305	105,842	33,126	27,452	(49,732)	(281.2)
Accounts Receivable Allowance-Other	(113)	(116)	(78)	32	222	(31)	(52)	197	N/C
Interest & Dividends Receivable	46	344	467	3,900	3,959	2,173	1,389	962	(30.7)
Inventories	44,336	43,088	37,734	37,792	38,018	40,765	36,414	27,498	(24.5)
Other Current Assets	895	470	1,920	1,585	244	3,178	9,757	12,052	23.5
Total Current Assets	\$656,886	\$622,552	\$660,355	\$688,998	\$735,944	\$473,821	\$452,289	\$418,343	(7.5)
Prepaid Accounts & Deferred Charges	\$12,120	\$20,374	\$16,378	\$19,528	\$18,659	\$14,759	\$14,410	\$19,379	34.5
Total Assets	\$5,464,377	\$5,422,144	\$5,413,697	\$5,673,205	\$5,779,505	\$6,579,524	\$6,459,482	\$5,842,665	(9.5)
Stockholder's Equity & Liabilities:									
Stockholder's Equity:									
Capital Stock	\$1,055,596	\$1,049,625	\$1,041,698	\$1,079,809	\$1,072,083	\$1,110,876	\$1,038,030	\$1,110,950	7.0
Additional Paid-In Capital	81,749	90,213	89,491	65,643	65,175	89,525	107,736	74,757	(30.6)
Other Capital	35,166	27,818	27,949	62,780	63,225	300,529	346,916	306,842	(11.6)
Retained Earnings	1,102,752	1,160,015	1,154,332	1,185,950	1,185,280	1,213,789	1,145,272	1,120,216	(2.2)
Total Stockholder's Equity	\$2,275,263	\$2,327,671	\$2,313,470	\$2,394,182	\$2,385,763	\$2,714,719	\$2,637,954	\$2,612,765	(1.0)
Long-Term Debt:									
Funded Debt (Actually Outstanding)	\$1,065,874	\$1,054,279	\$922,468	\$1,172,288	\$1,043,545	\$1,238,554	\$1,120,457	\$933,850	(16.7)
Advances From Affiliated Companies	2,157	10,407	17,789	22,400	39,470	68,725	158,105	322,203	103.8
Other Long-Term Debt	113,409	114,894	114,238	76,070	73,383	250,129	225,354	26,704	(88.2)
Total Long-Term Debt	\$1,181,440	\$1,179,580	\$1,054,495	\$1,270,758	\$1,156,398	\$1,557,408	\$1,503,916	\$1,282,757	(14.7)
N/C = Not Comparable									

FIGURE NO. 6-9C

REGULATED LOCAL EXCHANGE TELEPHONE COMPANIES
SUMMARY OF SELECTED DATA—INCOME STATEMENT, BALANCE SHEET, AND STATISTICAL ITEMS
For the Calendar Years 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002
(N.C. Data Only Unless Otherwise Noted) (Dollars in 000's)

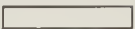
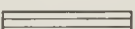
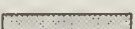
ITEM	1995	1996	1997	1998	1999	2000	2001	2002	% Change 2002-2001
Current & Accrued Liabilities:									
Accounts Payable	\$256,445	\$258,996	\$245,646	\$365,391	\$527,153	\$411,800	\$330,483	\$258,015	(21.9)
Notes Payable	301,514	286,254	396,206	288,501	188,884	213,898	268,021	137,116	(48.8)
Customer Deposits	11,219	10,199	10,917	11,788	12,345	10,494	10,040	9,887	(1.5)
Advance Billing & Payments	61,452	63,770	76,312	94,495	98,970	111,919	102,967	109,944	6.8
Other Current Liabilities	73,145	44,911	88,149	22,871	156,979	73,332	81,048	180,647	122.9
Taxes Accrued	33,313	48,247	42,586	17,941	33,885	31,234	29,691	(247,297)	N/C
Net Current Deferred Taxes	(10,277)	(23,834)	(22,892)	7,022	(3,353)	(5,271)	(9,590)	(4,745)	(50.5)
Unmatured Interests, Dividends, & Accrued Liabilities	236,584	201,832	168,032	146,952	154,854	118,213	121,534	99,695	(18.0)
Total Current & Accrued Liabilities	\$963,395	\$890,375	\$1,004,956	\$954,961	\$1,169,717	\$965,619	\$934,194	\$543,262	(41.8)
Deferred Credits & Other Liabilities	\$1,044,280	\$1,024,518	\$1,040,776	\$1,053,304	\$1,067,630	\$1,341,778	\$1,383,418	\$1,403,881	1.5
Total Stockholder's Equity & Liabilities	\$5,464,378	\$5,422,144	\$5,413,697	\$5,673,205	\$5,779,508	\$6,579,524	\$6,459,482	\$5,842,665	(9.5)
STATISTICS (N.C. ONLY):									
Access Lines in Service--Year End									
Residential Access Lines	2,865,508	2,980,686	3,109,527	3,252,606	3,372,250	3,475,705	3,452,241	3,239,892	(6.2)
Business Access Lines	1,115,231	1,199,190	1,305,868	1,400,451	1,458,779	1,439,550	1,363,030	1,374,037	0.8
Other Access Lines	378,796	394,813	39,048	52,478	33,242	2,913	2,438	16,536	578.3
Grand Total of all Access Lines In Service	4,359,535	4,574,689	4,454,443	4,705,535	4,864,271	4,918,169	4,817,709	4,630,465	(3.9)
Average Number of Calls per Telephone or Access Line:**									
(Class A & B Only)									
Local	3,196	3,352	2,756	2,707	2,770	3,141	4,793	2,849	(40.6)
Toll	483	487	625	563	554	616	807	529	(34.5)
Total Average Number of Employees	12,457	11,967	11,053	10,995	10,921	11,360	11,466	10,731	(6.4)
Total Wages & Benefits Paid Employees (000s)	\$582,790	\$597,345	\$554,501	\$545,825	\$570,552	\$569,309	\$573,731	\$599,235	4.4
Average Annual Wages & Benefits Paid Employees	\$46,784	\$49,916	\$50,170	\$49,643	\$52,244	\$50,115	\$50,038	\$55,841	11.6

N/C = Not Comparable

**Information was available for eleven telephone companies.



VII. Water And Sewer Companies

Legend:
 Number of Customers
 0 
 1-1000 
 1001-5000 
 over 5000 

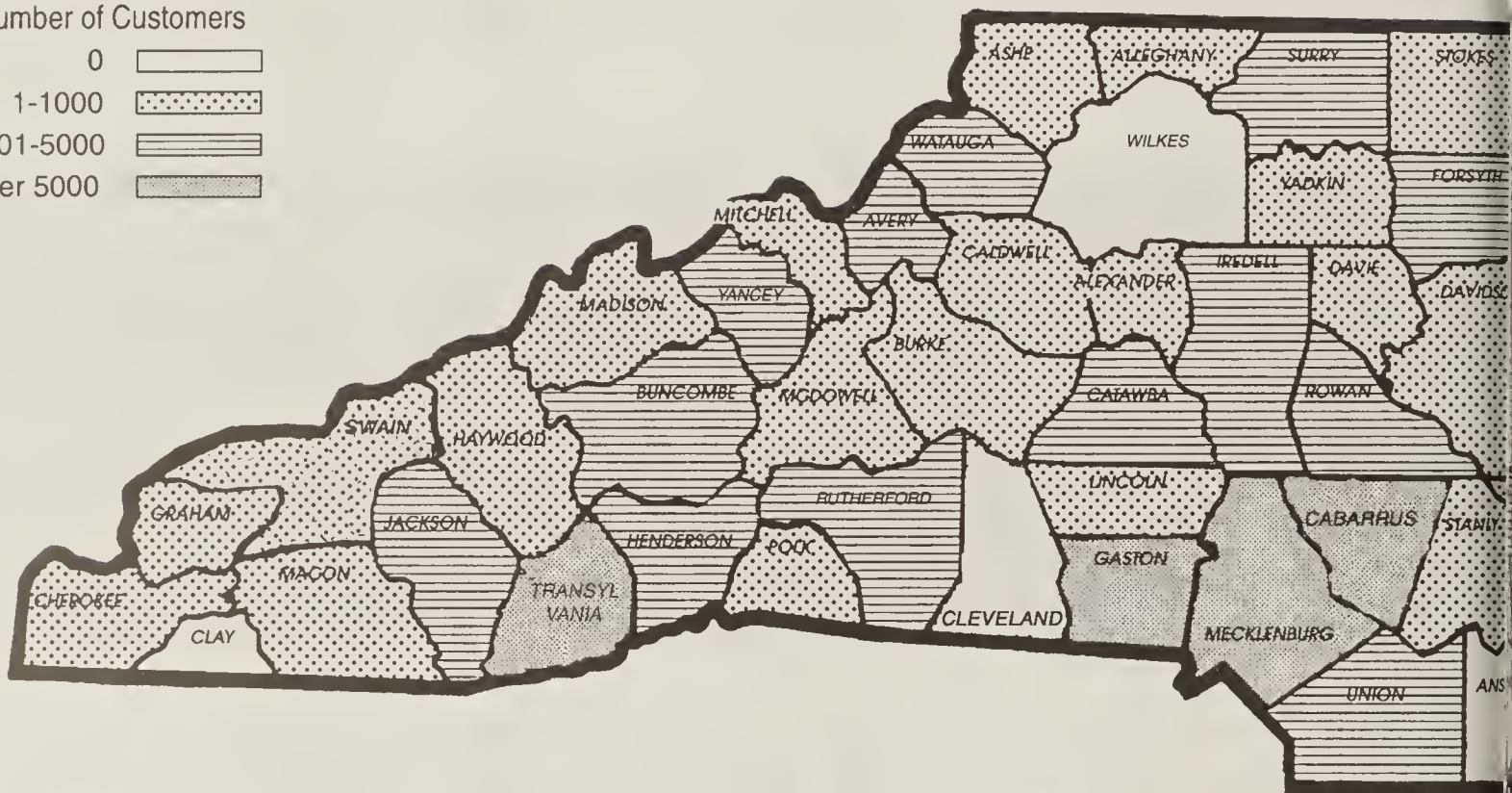
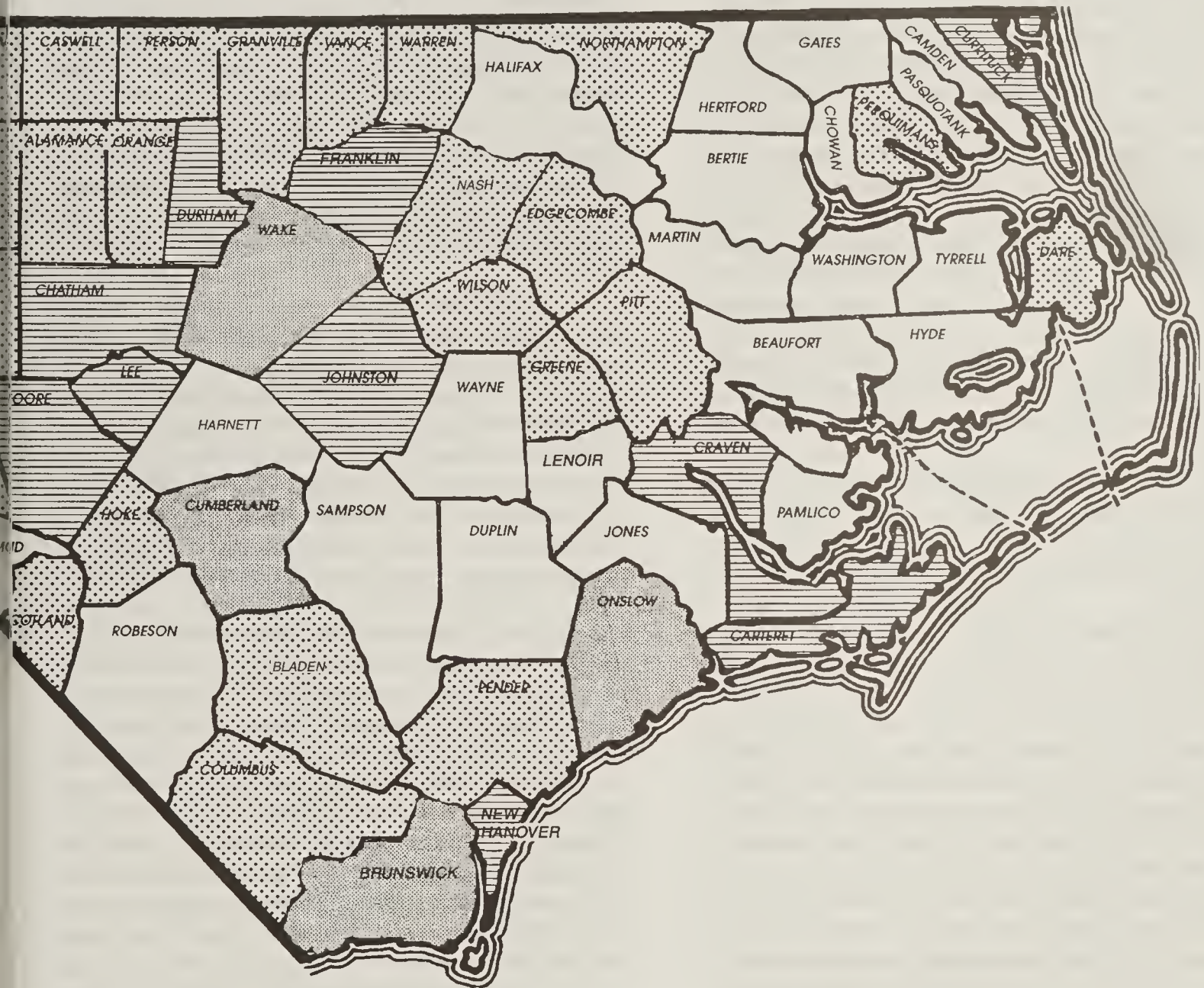


FIGURE NO. 7-1

Distribution of Customers
 Served by
 REGULATED WATER & SEWER UTILITIES



A. GENERAL COMMENTS

As of December 31, 2002, there were approximately 1,551 regulated water and sewer systems in North Carolina owned by 209 companies as reported on the 2002 annual reports. These are comprised of 1,201 water and 350 sewer systems. The Commission also regulated 134 water and sewer resellers. Of these 134 resellers, 2002 annual reports were received from 114 with reported water revenues of \$3,081,432 and sewer revenues of \$4,183,049. These reports showed 47,362 water and sewer customers in 206 service areas. The General Statutes of North Carolina provide in part that anyone owning or operating facilities for furnishing water and sewer service to the public for compensation is a public utility, except when such person's sole operation consists of selling water to fewer than fifteen residential customers.

Figure Nos. 7-1 and 7-2 provide a map and a listing of the locations of all of the regulated water and sewer systems by counties with the number of systems and customers in each county.

In 2002 approximately 67% of the regulated companies received less than \$50,000 in annual revenues. Fifteen of the regulated water and sewer companies received more than \$500,000 in revenues during 2002. Approximately 49% of the water and sewer companies served fewer than 100 customers in 2002.

One of the major problems encountered in regulating small water and sewer utilities is their lack of keeping adequate records. As a result, of the 209 water and sewer companies franchised to operate in 2002, current statistical and operating data is available for only 175 companies. This data is found in Figure No. 7-3. For the other 33 companies, the most recent statistical data received by the Commission is presented in Figure No. 7-4. This noncurrent statistical data for the years 1994 through 2001 is included to illustrate the total scope of the regulated water and sewer industry in North Carolina.

The Commission adopted a simplified annual report which should encourage small utilities to maintain minimum records of their revenues and expenses. This should enable them to keep accurate records and provide them with the required information needed for general

rate cases.

In 1996, the General Assembly enacted G.S. 62-110(g) authorizing the Utilities Commission to adopt procedures for allowing resale of water and sewer service provided to persons who occupy the same contiguous premises, i.e., apartments, condominiums, etc. On August 23, 1996, the Public Staff-North Carolina Utilities Commission requested that the Commission institute a rulemaking proceeding to allow the resale of water and sewer utility service. After comments a Final Order was issued adopting Final Rules in Docket No. W-100, Sub 30, on January 30, 1997. These rules are published in Chapter 18 of the Commission's Rules and Regulations. Figure 7-3A shows those certificated resellers with statistical and financial information.

G.S. 62-110(g) was substantially amended in Session Law 2001-502 (House Bill 1061), which took effect on December 19, 2001. The statute change was made at the request of the Apartment Association of North Carolina in its attempt to exempt water distributions systems within apartment complexes from regulation by Department of Environment and Natural Resources. The amendment deleted the language that authorized resale of water and sewer service at the cost of purchased water and sewer service plus an administrative fee. In place of this language, Session Law 201-502 provides that "a lessor, pursuant to a written rental agreement, [may] allocate the costs for providing water and sewer service on a metered use basis to persons who occupy the same continuous premises." Under such arrangement, the rent paid by the tenant includes a fixed base rent and a variable component equal to the landlord's cost of purchasing water or sewer service plus an administrative fee. The practical effect was largely the same as it was under the original language of the statute, but the transaction was characterized as an allocation of rental costs, rather than a resale of water or sewer service. The Commission was again directed to adopt rules implementing the amended statute.

On March 8, 2002, the Public Staff filed a petition for a rulemaking proceeding to implement North Carolina Session Law 2001-502 (House Bill 1061). On April 4, 2002, the Commission issued three Orders in Docket No. WR-100, Sub 1, in

response to the Public Staff's petition: (1) an Order initiating a rulemaking proceeding, adopting rules on an interim basis, and allowing comments from interested parties; (2) an Order granting temporary operating authority as a traditional water or sewer utility to all utilities currently certified as a water or sewer resale utility, retroactive to December 19, 2001, at the rates currently authorized; and (3) an Order clarifying the disposition of the pending application for certificate of resale authority, transfer of resale authority, and tariff revisions for resale authority. After receiving comments from interested parties, the Commission later scheduled a hearing regarding permanent rules. An order adopting permanent rules and approving forms was issued on March 7, 2003. (*Italicized language copied from the Public Staff 2002 Annual Report to the Legislature*).

B. COMMISSION ACTIVITIES

The Commission decided on sixteen rate cases in 2002 including five cases that were filed in 2001 and granted \$603,375 of the \$949,250 requested by the water and sewer companies. In addition to the rate increase cases, the Commission approved tariff revisions affecting 14,500 customers that increased water and sewer revenues by \$322,000.

There were 189 proceedings including thirty-three requests for new franchises, thirteen applications for transfer of franchises between utilities, seven applications to transfer systems to owners exempt from Commission regulation, nine applications for authority to discontinue service, thirty-one applications to serve contiguous area, fifty-two applications for resale authority, eighteen applications by membership owned corporations for exemption from regulation status, twenty-four requests for tariff revisions, six formal complaints, five requests for approval of stock transfer, and thirteen other miscellaneous filings.

In 1987, legislation required all water and sewer utility plants to furnish a bond secured in an amount not less than \$10,000 and no more than \$200,000. On April 15, 1995, G.S. 62-100.3 was amended eliminating the \$200,000 cap on the bond. This amendment also eliminated the statutory section which provided exceptions for those franchises that already had bonds posted with other state agencies or having bonds posted

with the Commission totaling \$200,000. Acceptable securities are obligations of the United States, obligations of the State of North Carolina, certificates of deposit, and irrevocable letters of credit. They are posted for use by the Commission in the event that an emergency operator is needed to take over a system and also to provide an incentive for utility companies to properly operate and maintain their systems. (See G.S. 62-110.3, Rules R7-37 and R10-24 for the details regarding the use of bonds as security.) This requirement is applicable to all applications for franchises filed on or after October 1, 1987. At the end of 2002, the amount of bonds posted for new water and sewer franchises totaled \$12,100,000.

C. REGULATED VS. NONREGULATED MONTHLY CHARGES

Comparative monthly charges for residential water service of selected nonregulated municipal systems and regulated water systems in North Carolina are shown in Figure No. 7-8. This also shows the same comparable component for residential sewer service in North Carolina for the same period.

D. STATISTICAL SUMMARY DATA

The number of regulated utility companies furnishing water and sewer service in North Carolina was 209, a decrease of twenty-four companies from 2001, however, 33 of these companies did not file 2002 annual reports. The current companies operated 1,170 water systems and 333 sewer systems within the State, with the noncurrent companies' most recent data showing 31 water systems and 17 sewer systems. The current companies served 158,556 water and sewer customers and received \$52,098,894 in annual revenues, with the noncurrent companies serving 5,596 customers and receiving annual revenues of \$1,868,778. Refer to Figure No. 7-3 for current companies, 7-4 for noncurrent and 7-7 for a graphic presentation. Figure No. 7-3A shows the 114 water and sewer resellers that filed annual reports had annual revenues of \$7,264,481 with 206 water and sewer systems.

FIGURE NO. 7-2

**DISTRIBUTION SUMMARY OF SYSTEMS AND CUSTOMERS OF ALL
N. C. REGULATED WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
ALAMANCE	130	75	3	1
ALEXANDER	159	0	5	0
ALLEGHANY	255	0	1	0
ANSON	0	0	0	0
ASHE	561	154	8	2
AVERY	2,553	1,735	7	3
BEAUFORT	0	0	0	0
BERTIE	0	0	0	0
BLADEN	104	107	1	1
BRUNSWICK	3,010	3,313	4	5
BUNCOMBE	1,697	1,531	23	15
BURKE	248	0	6	0
CABARRUS	3,370	2,116	29	5
CALDWELL	128	0	1	0
CAMDEN	0	0	0	0
CARTERET	3,384	1,194	5	21
CASWELL	43	0	1	0
CATAWBA	3,211	161	76	5
CHATHAM	477	1,713	11	8
CHEROKEE	323	68	2	1
CHOWAN	0	0	0	0
CLAY	0	0	0	0
CLEVELAND	0	0	0	0
COLUMBUS	0	0	0	0
CRAVEN	1,532	1,603	2	2
CUMBERLAND	14,492	352	21	3
CURRITUCK	1,492	1,725	5	6
DARE	0	867	0	4
DAVIDSON	0	398	0	3
DAVIE	30	0	1	0
DUPLIN	0	0	0	0
DURHAM	1,345	97	18	1
EDGECOMBE	0	0	0	0
FORSYTH	1,699	1,028	18	8
FRANKLIN	1,256	0	4	0
GASTON	6,337	240	122	3
GATES	0	0	0	0
GRAHAM	84	0	2	0
GRANVILLE	22	0	1	0
GREENE	33	0	1	0
GUILFORD	1,065	0	103	75

FIGURE NO. 7-2 CONTINUED

**DISTRIBUTION SUMMARY OF SYSTEMS AND CUSTOMERS OF ALL
N. C. REGULATED WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
HALIFAX	0	0	0	0
HARNETT	0	0	0	0
HAYWOOD	104	48	1	1
HENDERSON	899	466	11	4
HERTFORD	0	0	0	0
HOKE	64	0	2	0
HYDE	0	0	0	0
IREDELL	3,747	877	50	13
JACKSON	1,031	348	6	0
JOHNSTON	2,330	355	35	10
JONES	0	0	0	0
LEE	1,593	1,323	4	2
LENOIR	0	0	0	0
LINCOLN	173	32	4	1
MACON	300	0	4	0
MADISON	293	33	1	1
MARTIN	0	0	0	0
McDOWELL	132	0	3	0
MECKLENBURG	7,130	7,144	40	30
MITCHELL	60	0	1	0
MONTGOMERY	557	19	2	1
MOORE	2,085	397	6	1
NASH	70	0	2	0
NEW HANOVER	3,373	1,532	27	14
NORTHAMPTON	49	0	1	0
ONSLOW	1,578	7,114	5	17
ORANGE	605	0	9	0
PAMLICO	0	0	0	0
PASQUOTANK	0	0	0	0
PENDER	712	408	2	2
PERQUIMANS	120	118	1	1
PERSON	48	0	1	0
PITT	29	122	1	1
POLK	14	0	1	0
RANDOLPH	586	67	12	2
RICHMOND	0	0	0	0
ROBESON	0	0	0	0
ROCKINGHAM	218	1	10	1
ROWAN	1,398	45	29	1
RUTHERFORD	1,115	481	3	1

FIGURE NO. 7-2 CONTINUED

**DISTRIBUTION SUMMARY OF SYSTEMS AND CUSTOMERS OF ALL
N. C. REGULATED WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
SAMPSON	0	0	0	0
SCOTLAND	523	29	2	1
STANLY	31	31	1	1
STOKES	46	188	1	2
SURRY	1,831	0	52	0
SWAIN	47	47	1	1
TRANSYLVANIA	4,097	2,136	5	4
TYRRELL	0	0	0	0
UNION	218	1,394	1	7
VANCE	72	0	2	0
WAKE	23,695	7,060	350	46
WARREN	322	0	10	0
WASHINGTON	0	0	0	0
WATAUGA	1,231	642	8	11
WAYNE	0	0	0	0
WILKES	0	0	0	0
WILSON	269	0	6	0
YADKIN	129	0	5	0
YANCEY	900	354	2	1
GRAND TOTAL	112,864	51,288	1,201	350

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
ALAMANCE				
Hydraulics, Ltd.	43		1	
Residence Water Service, Inc.	75	75	1	1
Water Works of Alamance County, Inc.	12		1	
	130	75	3	1
ALEXANDER				
Heater Utilities, Inc.	10		1	
Hydraulics, Ltd.	133		3	
Milstead Community Water System	16		1	
	159	0	5	0
ALLEGHANY				
Carolina Water Service of N.C.	255		1	
	255	0	1	0
ANSON				
None				
ASHE				
Cross-State Development Company	222		5	
Culligan Operating Services	43	43	1	1
Fleetwood Falls, Inc.	163		1	
Jefferson Landing Water and Sewer	133	111	1	1
	561	154	8	2
AVERY				
Carolina Water Service of N.C.	1,609	1,415	2	1
Elk River Utilities, Inc.	291	132	1	1
GGCC Utility Inc.	243	188	2	1
Linville Heights	10		1	
Linville Ridge	400		1	
	2,553	1,735	7	3
BEAUFORT				
None				
BERTIE				
None				
BLADEN				
Bay Tree Utility Company	104	107	1	1
	104	107	1	1

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
BRUNSWICK				
B & C Development, Inc.	110		1	
Bald Head Island Utilities, Inc.	862	784	1	1
Carolina-Blythe Utility Company	1,871	1,949	1	2
Intracoastal Utility Company		242		1
904 Georgetown Treatment Plant, LLC		338		1
Sea Trail Utility Company dba ST Utility Co. *	167		1	
	3,010	3,313	4	5
BUNCOMBE				
A & D Water Service	42		1	
Asheville Property Management, Inc.	21	21	1	1
Butler Water Company *	22		1	
Carolina Water Service of N.C.	304	689	1	2
Christmount Christian Assembly, Inc.	97	97	1	1
Culligan Operating Services	54		2	
Eagle Heights Utilities, Inc.	15		1	
Earth Environmental Services	34		1	
Indian Creek Mobile Home Park	36	36	1	1
Laurel Wood Mobile Home Park	20	20	1	1
Locust Grove Mobile Home Park	50	50	1	1
Metro Water System, Inc.	58	58	1	1
Mountain View Park, LLC	28	28	1	1
Pine Valley Mobile Home Park, Inc.	48	48	1	1
Poplar Terrace Mobile Home Park	58	58	1	1
Red Tower	46	46	1	1
Ridgecrest Water Utility	313		1	
South Asheville Water Works	64	64	1	1
Twin Creeks Utilities	26		1	
Viewmont Acres Water System	45		1	
Wellington Mobile Home Park, Inc.	316	316	1	1
Woodland Heights MHP			1	1
	1,697	1,531	23	15
BURKE				
Crabtree Water Systems	47		1	
Heater Utilities, Inc.	151		3	
Hydraulics, Ltd.	13		1	
South Mountain Water Works	37		1	
	248	0	6	0
CABARRUS				
Barrier Grain Company	16		1	
Bradfield Farms Water Co.	486	579	1	
Carolina Water Service of N.C.	1,511	1,343	3	2
Corriher Water Service, Inc.	208		3	
Heater Utilities, Inc.	909		17	
Holt, Edgar L., Subdivision Water System	15		1	
Mullis, Giles E. *	20		1	
Pace Utilities Group, Inc.	59	59	1	1
Rayco Utilities, Inc.	37			

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
CABARRUS Continued				
River Hills Sanitation Service, Inc.		105		1
Silver Maples Mobile Estates		30		1
Water Resources	109		1	
	<u>3,370</u>	<u>2,116</u>	<u>29</u>	<u>5</u>
CALDWELL				
Joyceton Water Works, Inc.	128		1	
	<u>128</u>	<u>0</u>	<u>1</u>	<u>0</u>
CAMDEN				
None				
CARTERET				
Beacon's Reach Master Association		393		12
C & P Enterprises, Inc.		89		2
Carolina Water Service of N.C.	3,239	635	3	3
Deerfield Shores Utility Co., Inc.		28		1
Emerald Plantation Utility Company *		45		1
Frit Environmental, Inc.		2		1
Hydraulics, Ltd.	145		2	
Sugarloaf Utility, Inc.		2		1
	<u>3,384</u>	<u>1,194</u>	<u>5</u>	<u>21</u>
CASWELL				
Hydraulics, Ltd.	43		1	
	<u>43</u>	<u>0</u>	<u>1</u>	<u>0</u>
CATAWBA				
Bach's Mobile Home Park *	18		1	
Cardinal Estates Water System	8		1	
Corriher Water Service	37		1	
Crabtree Water Systems	30		1	
Heater Utilities, Inc.	1,150	161	36	5
Hydraulics, Ltd.	1,665		31	
Setzer Brothers Well Boring	272		4	
Sun-Tech Water Corporation	31		1	
	<u>3,211</u>	<u>161</u>	<u>76</u>	<u>5</u>

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
CHATHAM				
Chatham Water Reclamation, L.L.C		250		1
Fearington Utilities		779		1
Governor's Club Limited Partnership *		615		1
Hydraulics, Ltd.	408		6	
North Chatham Water & Sewer Co., LLC	69	69	5	5
	<u>477</u>	<u>1,713</u>	<u>11</u>	<u>8</u>
CHEROKEE				
Carolina Water Service of N.C.	285	68	1	1
Pied Piper Resort, Inc.	38		1	
	<u>323</u>	<u>68</u>	<u>2</u>	<u>1</u>
CHOWAN				
None				
CLAY				
None				
CLEVELAND				
None				
COLUMBUS				
None				
CRAVEN				
CWS, Inc.	1,483	1,450	1	1
Carolina Pines Utility Company		153		1
Greenfield Heights Development	49		1	
	<u>1,532</u>	<u>1,603</u>	<u>2</u>	<u>2</u>
CUMBERLAND				
Brookwood Water Corporation	7,925		9	
Carolina Water Service of N.C.	321		3	

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
CUMBERLAND Continued				
Community Investments LLC	163	163	2	2
LaGrange Water Works	5,554		4	
Maxwell Water Company	35		1	
Overhills Water Company	305		1	
Whispering Pines Village	189	189	1	1
	14,492	352	21	3
CURRITUCK				
Carolina Water Service of N.C.	1,118	869	3	2
Corolla North Utilities, Inc.		132		1
Pine Island Currituck, LLC		442		2
Ponderosa Enterprises, Inc.	114		1	
Sandler Utilities at Mill Run, LLC		282		1
Turnpike Properties *	260		1	
	1,492	1,725	5	6
DARE				
Carolina Water Service of N.C.		721		1
KDHHWWTP LLC		23		1
Outer Banks Kinnakeet Associates, LLC		79		1
Pine Island Currituck, LLC		44		1
	0	867	0	4
DAVIDSON				
Heater Utilities, Inc.		263		2
Willow Creek Builders, Inc.		135		1
	0	398	0	3
DAVIE				
Heater Utilities, Inc.	30		1	
	30	0	1	0
DUPLIN				
None				
DURHAM				
CWS, Systems, Inc.	98		1	
Harrco Utility Corporation *		97		1
Heater Utilities, Inc.	884		11	
Hydraulics, Ltd.	335		5	
North State Utilities, Inc. *	N/R	N/R	N/R	N/R
Shaw Hill 22 Investors	28		1	
	1,345	97	18	1

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

<u>COUNTY/COMPANY NAME</u>	<u>NUMBER OF CUSTOMERS</u>		<u>NUMBER OF SYSTEMS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>WATER</u>	<u>SEWER</u>
<u>EDGECOMBE</u>				
None				
<u>FORSYTH</u>				
Carolina Water Service of N.C.	778	630	4	2
Heater Utilities	88	307	2	4
Hydraulics, Ltd.	792		11	
Rayco Utilities, Inc.	41	91	1	2
	<u>1,699</u>	<u>1,028</u>	<u>18</u>	<u>8</u>
<u>FRANKLIN</u>				
CWS Systems, Inc.	50		1	
Heater Utilities, Inc.	77		2	
Total Environment Solutions, Inc.	1,129		1	
	<u>1,256</u>	<u>0</u>	<u>4</u>	<u>0</u>
<u>GASTON</u>				
Carolina Water Service of N.C.	608	240	7	3
Culligan Operating Systems	64		1	
Heater Utilities, Inc.	4,451		92	
Honeycutt, Wayne	83		3	
Hydraulics, Ltd.	1,091		18	
Maria Park Water System (Fannie Patterson)	28		1	
Peach Orchard Water System *	12			
	<u>6,337</u>	<u>240</u>	<u>122</u>	<u>3</u>

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

<u>COUNTY/COMPANY NAME</u>	<u>NUMBER OF CUSTOMERS</u>		<u>NUMBER OF SYSTEMS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>WATER</u>	<u>SEWER</u>
<u>GATES</u>				
None				
<u>GRAHAM</u>				
Santeetlah Shores Water System	22		1	
Tobacco Branch Village	62		1	
	<u>84</u>	<u>0</u>	<u>2</u>	<u>0</u>
<u>GRANVILLE</u>				
Hydraulics, Ltd.	22		1	
	<u>22</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>GREENE</u>				
H & H Development Corporation	33		1	
	<u>33</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>GUILFORD</u>				
ARCGE, LLC			75	75
Heater Utilities, Inc.	114		5	
Hydraulics, Ltd.	951		23	
	<u>1,065</u>	<u>0</u>	<u>103</u>	<u>75</u>
<u>HALIFAX</u>				
None				
<u>HARNETT</u>				
None				
<u>HAYWOOD</u>				
Springdale Water Company	104	48	1	1
	<u>104</u>	<u>48</u>	<u>1</u>	<u>1</u>
<u>HENDERSON</u>				
A & D Water Company	115		1	
Carolina Water Service of N.C.	77		1	
Crestview Estates, LLC	84	84	1	1
Culligan Operating Services		101		2
Environmental Maintenance Systems, Inc.	150		2	
Etowah Sewer Company		281		1
Heater Utilities, Inc.	370		4	
Hoopers Valley Water Company	74		1	
Kenmure Properties	0		0	
Thompson, Donald O.	29		1	
	<u>899</u>	<u>466</u>	<u>11</u>	<u>4</u>

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
HERTFORD				
None				
HOKE				
Brookwood Water Corporation	33		1	
Scotsdale Water & Sewer, Inc. *	31		1	
	64	0	2	0
HYDE				
None				
IREDELL				
Carolina Water Service of N.C.	795		4	
Community Water Works, Inc.	77		2	
Corriher Water Service, Inc.	225		1	
Heater Utilities, Inc.	1,188	638	21	11
Hydraulics, Ltd.	1,372	162	20	1
Jenkins, Perry W.	13		1	
Watercrest Estates	77	77	1	1
	3,747	877	50	13
JACKSON				
CWS, Inc.	761	348	2	
Cowan Valley Water System *	22		1	
Environmental Maintenance Systems, Inc.	23		1	
High Hampton, Inc.	183		1	
University Heights	42		1	
	1,031	348	6	0
JOHNSTON				
Alpha Utilities	29		1	
Carolina Water Service of N.C.	582	122	4	1
Heater Utilities, Inc.	1,719	233	30	9
	2,330	355	35	10
JONES				
None				
LEE				
Carolina Trace Corporation	1,206	1,151	1	1
Carolina Water Service of N.C.	161		1	
Farm Water Works	54		1	
Simpson & Simpson Utilities	172	172	1	1
	1,593	1,323	4	2

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

<u>COUNTY/COMPANY NAME</u>	<u>NUMBER OF CUSTOMERS</u>		<u>NUMBER OF SYSTEMS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>WATER</u>	<u>SEWER</u>
<u>LENOIR</u>				
None				
<u>LINCOLN</u>				
Coral Park Community Wells	15		1	
Crabtree Water Systems	43		1	
Heater Utilities, Inc.		32		1
Hydraulics, Ltd.	115		2	
	<u>173</u>	<u>32</u>	<u>4</u>	<u>1</u>
<u>MACON</u>				
Environmental Maintenance Systems	40		1	
Holly Springs Golf & Country Club, Ltd.			1	
Riverbend Water Systems, Inc.	123		1	
Watauga Vista Water Corporation	137		1	
	<u>300</u>	<u>0</u>	<u>4</u>	<u>0</u>
<u>MADISON</u>				
Carolina Water Service of N.C.	293	33	1	1
	<u>293</u>	<u>33</u>	<u>1</u>	<u>1</u>
<u>MARTIN</u>				
None				
<u>McDOWELL</u>				
Bear Den Acres Development, Inc. *	51		1	
Carolina Water Service of N.C.	28		1	
Heater Utilities, Inc.	53		1	
	<u>132</u>	<u>0</u>	<u>3</u>	<u>0</u>
<u>MECKLENBURG</u>				
Bradfield Farms Water Co.	486	578		1
Carolina Water Service of N.C.	4,347	3,616	18	7
Clear Meadow Water, Inc.	60		1	
Fairways at Piper Glen (The)	336	336	1	1
Heater Utilities, Inc.	504	753	7	11
Hydraulics, Ltd.	132		2	
Mauney Family Limited Partnership	66		2	
Mountain Point Utility Co., Inc.	62		1	
North State Utilities, Inc. *	N/R	N/R	N/R	N/R
Preserve at Ballantyne Commons, L.P.	270	270	1	1
Rayco, Inc.	216	389	3	2
River Run at Davidson		623		2
Riverpointe Utility Corporation	181	178	1	1
Tradition at Mallard Creek (The)	279	279	1	1
Tri-County Wastewater *		29		1
Water Resources, Inc.	191		2	
White Forest Wastewater Treatment		7		1
Willowbrook Utility Co.		86		1
	<u>7,130</u>	<u>7,144</u>	<u>40</u>	<u>30</u>

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
MITCHELL				
Heater Utilities, Inc.	60		1	
	60	0	1	0
MONTGOMERY				
Baytree Waterfront Properties		19		1
Carolina Water Service of N.C.	557		2	
	557	19	2	1
MOORE				
Carolina Water Service of N.C.	1,353		2	
Heater Utilities, Inc.	553	397	1	1
Hydraulics, Ltd.	120		2	
Vila Pump Company *	59		1	
	2,085	397	6	1
NASH				
CWS Systems, Inc.	49		1	
Heater Utilities, Inc.	21		1	
	70	0	2	0
NEW HANOVER				
ABC Utilities, Inc.	260	260	1	1
CWS Systems, Inc.	279		1	
Coastal Plains Utilities Company *	651		3	
Fairways Utilities, Inc.	1,510	1,109	16	12
Glynnwood Water Systems, Inc.	90		4	
Johnson & Perry Company *	N/R	N/R	N/R	N/R
Porters Neck Company, Inc.	420		1	
Royal Palms Water & Sewer Systems	163	163	1	1
	3,373	1,532	27	14
NORTHAMPTON				
Fox Run Water Company	49		1	
	49	0	1	0

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

<u>COUNTY/COMPANY NAME</u>	<u>NUMBER OF CUSTOMERS</u>		<u>NUMBER OF SYSTEMS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>WATER</u>	<u>SEWER</u>
<u>ONSLOW</u>				
Blue Creek Utilities, Inc.		193		3
Horse Creek Farms Utilities		402		1
North Topsail Water & Sewer, Inc.		2,586		1
Pines Utilities, Inc.		186		1
Rock Creek Environmental Company		122		1
Scientific Water & Sewerage Co., Inc.	1,578	1,686	5	6
Sentry Utilities, Inc. *		394		2
Viking Utilities Corporation, Inc. *		773		1
Webb Creek Water & Sewer, Inc.		772		1
	<u>1,578</u>	<u>7,114</u>	<u>5</u>	<u>17</u>
<u>ORANGE</u>				
Heater Utilities, Inc.	459		5	
Hydraulics, Ltd.	65		3	
Northwood Developers of Orange Co.	81		1	
	<u>605</u>	<u>0</u>	<u>9</u>	<u>0</u>
<u>PAMLICO</u>				
None				
<u>PASQUOTANK</u>				
None				
<u>PENDER</u>				
Carolina Water Service of N.C.	712	408	2	2
	<u>712</u>	<u>408</u>	<u>2</u>	<u>2</u>
<u>PERQUIMANS</u>				
Holiday Island Property Owners Association	120	118	1	1
	<u>120</u>	<u>118</u>	<u>1</u>	<u>1</u>
<u>PERSON</u>				
Hydraulics, Ltd.	48		1	
	<u>48</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>PITT</u>				
Homestead Community Water	29		1	
Riverhills, Inc.		122		1
	<u>29</u>	<u>122</u>	<u>1</u>	<u>1</u>

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
POLK				
Heater Utilities, Inc.	14		1	
	14	0	1	0
RANDOLPH				
Hydraulics, Ltd.	387		8	
McMahan, Harold (Beard Mobile Home Park)	56		1	
Rayco Utilities, Inc.	143	67	3	2
	586	67	12	2
RICHMOND				
None				
ROBESON				
None				
ROCKINGHAM				
Billingsly, J.T.	33		1	
Britthaven Utilities		1		1
Heater Utilities, Inc.	50		2	
Hydraulics, Ltd.	135		7	
	218	1	10	1
ROWAN				
Anderson, Wayne	8		1	
Corriher Water Service, Inc.	416		8	
Craven Water Works	48		1	
Grove Supply Company, Inc.	33		1	
Heater Utilities, Inc.	225		5	
Hydraulics, Ltd.	289		9	
Rayco Utilities, Inc.	360	45	3	1
South Rowan Investment Corporation *	19		1	
	1,398	45	29	1
RUTHERFORD				
CWS, Inc.	988	481	1	1
Heater Utilities, Inc.	127		2	
	1,115	481	3	1
SAMPSON				
None				

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
SCOTLAND				
Laurel Hill Water Company	481		1	
Scotland Water Company	42		1	
Springs Industries, Inc.		29		1
	523	29	2	1
STANLY				
Western Utilities Corporation	31	31	1	1
	31	31	1	1
STOKES				
Heater Utilities, Inc.	46		1	
Rayco Utilities, Inc.		188		2
	46	188	1	2
SURRY				
Forest Hills Water System *	10		1	
Heater Utilities, Inc.	1,633		45	
Hydraulics, Ltd.	89		1	
Orchard View Park	43		1	
Woods Water Works, Inc.	56		4	
	1,831	0	52	0
SWAIN				
Conleys Creek Limited Partnership	47	47	1	1
	47	47	1	1
TRANSYLVANIA				
A & D Water Service, Inc.		11		1
CWS Systems Inc.	637	349		1
Carolina Water Service of N.C.	242		1	
Knob Creek Property, Inc. (Big, Inc.)	170		1	
Sapphire Lakes Utility Company	292	100	1	1
TPG Utilities, Inc. *	88		1	
Transylvania Utility Company	2,668	1,676	1	1
	4,097	2,136	5	4
TYRELL				
None				
UNION				
Carolina Water Service of N.C.		722		1
Goose Creek Utility Company		188		1
Heater Utilities, Inc.		484		5
JAARS, Inc.	218		1	
	218	1,394	1	7

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

COUNTY/COMPANY NAME	NUMBER OF CUSTOMERS		NUMBER OF SYSTEMS	
	WATER	SEWER	WATER	SEWER
VANCE				
Heater Utilities, Inc.	42		1	
Hydraulics, Ltd.	30		1	
	72	0	2	0
WAKE				
Alpha Utilities, Inc.	460		9	
ARC IV GV, Inc.	317	317	1	1
Brook Arbor	302	302	1	1
CWS Systems, Inc.	1,386		14	
CWS Crossroads LP	172	172	1	1
Carolina Water Service of N.C.	240	939	4	3
Crosby Utilities, Inc.	210	290	1	2
Dutchman Creek, Inc. *	71		1	
Evergreen Mobile Home Estate Inc.	62	62	1	1
Foxhall Village Utilities *	297	297	1	1
Harrco Utility Corporation *		260		6
Heater Utilities, Inc.	17,641	2,141	289	20
Hydraulics, Ltd.	71		1	
Ideal Mobile Home Park *	0		1	
Jones Dairy Farm Corporation		473		1
KRJ Utilities, Inc.	116		1	
Lee, Ira D., and Associates	301	295	2	2
M. D. Square, Inc. *	16		1	
Marquis at Preston	262	262	1	1
McCullers Pines Water System *	14		1	
MECO Utilities, Inc.	269	269	1	1
Mobile Hill Estates Water System	34		1	
Nero Utilities Services, Inc.	126	126	1	1
North State Utilities, Inc. *	N/R	N/R	N/R	N/R
Pineview Water System (John Gensinger)	32		1	
Preston Reserve Ltd. Partnership	360	360	1	1
Prior Construction Company	212		3	
Scotsdale Water & Sewer, Inc. *	273		7	
Sedgefield Development Corp. *	N/R	N/R	N/R	N/R
Southern Water Service	94		2	
Spring Water Company, Inc.	17		1	
Whitewood Properties, Inc.		135		2
Woodlands at Wakefield Plantation Ltd. Partner.	340	360	1	1
	23,695	7,060	350	46
WARREN				
Bright Leaf Landing Corp.	22		1	
Fox Run Water Company, Inc.	300		9	
	322	0	10	0

**DISTRIBUTION OF WATER AND SEWER UTILITIES BY COUNTIES
AS OF DECEMBER 31, 2002**

<u>COUNTY/COMPANY NAME</u>	<u>NUMBER OF CUSTOMERS</u>		<u>NUMBER OF SYSTEMS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>WATER</u>	<u>SEWER</u>
<u>WASHINGTON</u>				
None				
<u>WATAUGA</u>				
Carolina Water Service of N.C.	1,165	187	7	1
Hawknest Utilities, Inc.		2		1
Mountain Ridge Estates Water	66		1	
Water Quality Services, Inc.		341		3
Water Resource Management, Inc.		112		6
	<u>1,231</u>	<u>642</u>	<u>8</u>	<u>11</u>
<u>WAYNE</u>				
None				
<u>WILKES</u>				
None				
<u>WILSON</u>				
CWS Systems, Inc.	71		1	
West Wilson Water Company	198		5	
	<u>269</u>	<u>0</u>	<u>6</u>	<u>0</u>
<u>YADKIN</u>				
Heater Utilities, Inc.	109		4	
Yadkin Water Corporation*	20		1	
	<u>129</u>	<u>0</u>	<u>5</u>	<u>0</u>
<u>YANCEY</u>				
Carolina Water Service of N.C.	525		1	0
Mountain Air Utilities Corporation	375	354	1	1
	<u>900</u>	<u>354</u>	<u>2</u>	<u>1</u>
GRAND TOTAL	<u>112,864</u>	<u>51,288</u>	<u>1,201</u>	<u>350</u>

* Companies do not have 2002 annual report on file. The most recent report on file was used to obtain figures.

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
 Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
A & D Water Service, Inc.	(1)	W-1049	\$28,556	\$16,078	157	11	2	1
ABC Utilities Inc.	New Hanover	W-1138	55,475	78,442	260	260	1	1
Alpha Utilities, Inc.	Johnston/Wake	W-862	133,071		489		10	
Anderson, Wayne	Rowan	W-566	1,440		8		1	
ARCGE, LLC	Guilford	W-1178					75	75
ARC IV GV, Inc.	Wake	W-1133	96,229	66,871	317	317	1	1
Asheville Property Management, Inc.	Buncombe	W-1145	3,336	3,614	21	21	1	1
B & C Corporation, Inc.	Brunswick	W-924	15,775		110		1	
Bald Head Island Utilities, Inc.	Brunswick	W-798	709,225	532,351	862	784	1	1
Barrier Grain Company	Cabarrus	W-688	2,585		16		1	
Bay Tree Utility	Bladen	W-1080	28,314	51,360	104	107	1	1
Baytree Waterfront Properties	Montgomery	W-938		9,366		19	1	1
Beacon's Reach Master Assoc., Inc.	Carteret	W-966		170,366		393		12
Beard Mobile Home Park (Harold McMahan)	Randolph	W-791	18,153		56		1	
Billingsley, John T.	Rockingham	W-632	5,518		33		1	
Blue Creek Utilities	Onslow	W-857		93,712		193		3
Bradfield Farms Water Co.	Mecklenburg/Cabarrus	W-1044	254,440	379,164	972	1,157	1	1
Bright Leaf Landing Corp.	Warren	W-994	3,996		22		1	
Britthaven Utilities	Rockingham	W-1015		65,800		1		1
Brook Arbor	Wake	W-1134	233,800		302	302	1	1
Brookwood Water Corporation	Cumberland/Hoke	W-177	1,811,093		7,958		10	
C & P Enterprises, Inc.	Carteret	W-1063		32,063		89		2
Cardinal Estates Water System	Catawba	W-701	3,003		8		1	
Carolina Blythe Utility Company	Brunswick	W-503	421,354	468,861	1,871	1,949	1	2
Carolina Pines Utilities	Craven	W-1151		52,343		153		1
Carolina Trace Utilities, Inc.	Lee	W-1013	365,935	385,766	1,206	1,151	1	1
Carolina Water Service of North Carolina	(2)	W-354	6,346,508	4,487,474	21,105	12,637	77	33
Chatham Water Reclamation, L.L.C.	Chatham	W-1118		123,360		250		1

(1) Buncombe, Henderson, and Transylvania Counties.

(2) This Company serves the following Counties: Alleghany, Avery, Buncombe, Cabarrus, Carteret, Cherokee, Cumberland, Currituck, Dare, Forsyth, Gaston, Henderson, Iredell, Johnston, Lee, Madison, McDowell, Mecklenburg, Montgomery, Moore, Pender, Transylvania, Union, Wake, Watauga, and Yancey.

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
 Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Christmount Christian Assembly, Inc.	Buncombe	W-1079	\$29,982	\$30,107	97	97	1	1
Clear Meadow Water	Mecklenburg	W-715	10,027		60		1	
Community Investments LLC	Cumberland	W-1158	14,033	31,773	163	163	2	2
Community Water Works, Inc.	Iredell	W-316	17,642		77		2	
Conleys Creek L.P. (Smokey Mountain CC)	Swain	W-1120	10,100	11,880	47	47	1	1
Coral Park Community Well	Lincoln	W-717	4,586		15		1	
Corolla North Utilities	Currituck	W-953		45,111		132		1
Corriher Water Service, Inc.	(1)	W-233	219,449		886		13	
Crabtree Water Systems	Catawba/Lincoln/Burke	W-967	19,878		120		3	
Craven Water Works	Rowan	W-1090	13,615		48		1	
Crestview Estates, LLC	Henderson	W-1096	24,527	26,571	84	84	1	1
Crosby Utilities, Inc.	Wake	W-992	40,921	106,501	210	290	1	2
Cross-State Development	Ashe	W-408	80,086		222		5	
Culligan Operating Services	(2)	W-988	36,998	58,332	161	144	4	3
CWS Crossroads LP	Wake	W-1163	9,519	9,296	172	172	1	1
CWS Systems, Inc.	(3)	W-778	1,616,074	946,299	5,802	2,628	23	3
Deerfield Shores Utility Co., Inc.	Carteret	W-925		20,487		28		1
Eagle Heights Utility Co.	Buncombe	W-826	5,392		15		1	
Earth Environmental Services	Buncombe	W-1129	14,644		34		1	
Elk River Utilities	Avery	W-1058	108,635	49,858	291	132	1	1
Environmental Maintenance Systems, Inc.	(4)	W-1054	63,149		213		4	
Etowah Sewer Company	Henderson	W-933		111,034		281		1
Evergreen Mobile Home Estate Inc.	Wake	W-1162	19,961	26,585	62	62	1	1
Fairways at Piper Glen (The)	Mecklenburg	W-1066	15,422	26,666	336	336	1	1
Fairways Utilities, Inc.	New Hanover	W-787	307,671	251,483	1,510	1,109	16	12
Farm Water Works	Lee	W-844	19,857		54		1	
Fearrington Utilities	Chatham	W-661		128,998		779		1
Fleetwood Falls, Inc.	Ashe	W-380	37,734		163		1	
Fox Run Water Company, Inc.	Warren/Northhamp.	W-959	47,462		349		10	
Frit Environmental, Inc.	Carteret	W-965		75,780		2		1

(1) This Company serves Cabarrus, Catawba, Iredell, and Rowan Counties.

(2) This Company serves Ashe, Buncombe, Henderson, and Gaston Counties.

(3) This Company serves Craven, Durham, Franklin, Jackson, Nash, New Hanover, Rutherford, Transylvania, Wake and Wilson Counties.

(4) This Company serves Henderson, Jackson, and Macon Counties.

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
GGCC Utility Inc.	Avery	W-755	\$46,184	\$52,132	243	188	2	1
Glynnwood Water System, Inc.	New Hanover	W-1032	25,330		90		4	
Goose Creek Utility Company	Union	W-369		104,963		188		1
Greenfield Heights Development Company	Craven	W-205	17,536		49		1	
Grove Supply Company	Rowan	W-587	1,981		33		1	
H & H Development	Greene	W-315	3,960		33		1	
Hawknest Utilities, Inc.	Watauga	W-1077		7,920		2		1
Heater Utilities, Inc.	(1)	W-274	14,117,171	3,490,707	32,678	5,409	591	69
High Hampton, Inc.	Jackson	W-574	21,912		183		1	
Holiday Island Water and Sewer	Perquimans	W-386	12,136	24,814	120	118	1	1
Holly Springs Golf and Country Club	Macon	W-944	0		0		1	
Holt, Edgar Lee	Cabarrus	W-606	2,160		15		1	
Homestead Community Water	Pitt	W-452	13,497		29		1	
Honeycutt, Wayne	Gaston	W-472	32,961		83		3	
Hoopers Valley Water Co.	Henderson	W-794	19,410		74		1	
Horse Creek Farms Utilities Corporation	Onslow	W-888		73,306		402		1
Hydraulics, Ltd.	(2)	W-218	2,927,835	39,872	8,494	162	160	1
Indian Creek Mobile Home Park	Buncombe	W-1116	9,514	19,887	36	36	1	1
Intracoastal Utility Company	Brunswick	W-986		45,601		242		1
JAARS, Inc.	Union	W-1136	(11,328)		218		1	
Jefferson Landing Water and Sewer	Ashe	W-1019	18,029	15,344	133	111	1	1
Jenkins, Perry W.	Iredell	W-1084	3,899		13		1	
Jones Dairy Farm Corporation	Wake	W-898		175,425		473		1
Joyceon Water Works, Inc.	Caldwell	W-4	97,267		128		1	

(1) This Company serves Alexander, Burke, Cabarrus, Catawba, Davidson, Davie, Durham, Forsyth, Franklin, Gaston, Guilford, Henderson, Iredell, Johnston, Lincoln, McDowell, Mecklenburg, Mitchell, Moore, Nash, Orange, Polk, Rockingham, Rowan, Rutherford, Stokes, Union, Vance, Wake, and Yadkin Counties.

(2) This Company serves Alamance, Burke, Carteret, Caswell, Catawba, Chatham, Durham, Forsyth, Granville, Gaston, Guilford, Lincoln, Mecklenburg, Moore, Orange, Randolph, Rockingham, Rowan, Surry, and Vance Counties.

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
KDHWWTPLLC	Dare	W-1160		\$160,389		23	NA	1
Kenmore Properties, Ltd.	Henderson	W-904	\$0		0			
Knob Creek Properties, Inc.	Transylvania	W-486	43,863		170		1	
KRJ Utilities, Inc.	Wake	W-1075	31,602		116		1	
LaGrange Waterworks Corporation	Cumberland	W-200	946,407		5,554		4	
Laurel Hill Water Company	Scotland	W-67	88,402		481		1	
Laurel Wood Mobile Home Park	Buncombe	W-1155	4,501	4,876	20	20	1	1
Lee, Ira D. and Associates	Wake	W-876	88,897	124,873	301	295	2	2
Linville Heights	Avery	W-1137	1,152		10		1	
Linville Ridge	Avery	W-766	72,370		400		1	
Locust Grove Mobile Home Park	Buncombe	W-1106	14,042	15,212	50	50	1	1
Marquis at Preston	Wake	W-1172	27,552	19,308	262	262	1	1
Mauney Family Limited Partnership	Mecklenburg	W-560	12,815		66		2	
Maxwell Water Company	Cumberland	W-339	6,660		35		1	
MECO Utilities, Inc.	Wake	W-1166	14,551	11,366	269	269	1	1
Metro Water System, Inc.	Buncombe	W-1109	16,551	17,930	58	58	1	1
Milstead Community Water System	Alexander	W-718	1,122		16		1	
Mobile Hills Estates Water System	Wake	W-515	8,455		34		1	
Mountain Air Utilities Corporation	Yancey	W-1148	148,121	158,919	375	354	1	1
Mountain Point Utility Co.	Mecklenburg	W-989	20,928		62		1	
Mountain Ridge Estates Water	Watauga	W-975	23,109		66		1	
Mountain View Park, LLC	Buncombe	W-1089	8,695	8,689	28	28	1	1
Nero Utilities Services, Inc.	Wake	W-1152	22,034	26,409	126	126	1	1
904 Georgetown Treatment Plant, LLC	Brunswick	W-1141		73,290		338	1	1
North Chatham Water and Sewer Co. LLC	Chatham	W-1101	28,787	63,020	69	69	5	5
North Topsail Utilities, Inc.	Onslow	W-1143		901,532		2,586	1	1
Northwood Developers of Orange Co.	Orange	W-690	11,921		81		1	
Orchard View Park	Surry	W-1069	12,369		43		1	
Outer Banks Kinnakeet Associates, LLC	Dare	W-1125		46,566		79	1	1
Overhills Water Company	Cumberland	W-175	55,890		305		1	
Pace Utilities Group, Inc.	Cabarrus	W-1046	31,644	24,597	59	59	1	1
Pied Piper Resort, Inc.	Cherokee	W-893	14,990		38		1	

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Pine Valley Mobile Home Park, Inc.	Buncombe	W-1131	\$13,321	\$14,431	48	48	1	1
Pines Utilities, Inc.	Onslow	W-822		49,570		186		1
Pineview Water System (John Gensinger)	Wake	W-549	8,575		32		1	
Ponderosa Mobile Home Park	Currituck	W-1086	15,850		114		1	
Poplar Terrace Mobile Home Park	Buncombe	W-1145	12,825	13,894	58	58	1	1
Preserve at Ballantyne Commons (The)	Mecklenburg	W-1135	21,187	22,951	270	270	1	1
Preston's Reserve Ltd. Partnership	Wake	W-1126	36,522	29,881	360	360	1	1
Prior Construction Co., Inc.	Wake	W-567	34,223		212		3	
Rayco Utilities, Inc.	(1)	W-899	235,715	317,888	797	780	10	9
Red Tower	Buncombe	W-1108	9,520	10,314	46	46	1	1
Residence Water Service, Inc.	Alamance	W-1122	8,979	20,065	75	75	1	1
Ridgecrest Water Utility	Buncombe	W-71	53,957		313	105	1	1
River Hills Sanitation Service, Inc.	Cabarrus	W-912		22,688		623		2
River Run at Davidson	Mecklenburg	W-1057		194,344				
Riverbend Estates Water Systems, Inc.	Macon	W-390	36,799		123		1	
Riverhills, Inc.	Pitt	W-461		40,423		122		1
Riverpointe Utility Corporation	Mecklenburg	W-962	65,795	62,154	181	178	1	1
Rock Creek Environmental Company	Onslow	W-830		29,839		122		1
Royal Palms Water & Sewer System	New Hanover	W-1105	20,967	27,424	163	163	1	1
Sandler Utilities at Mill Run, L. C.	Currituck	W-1130		77,927		282		1
Santeetlah Shores Water System	Graham	W-577	10,193		22		1	
Sapphire Lakes Utility Company	Transylvania	W-941	65,939	36,067	292	100	1	1
Scientific Water and Sewerage Company, Inc.	Onslow	W-176	378,381	408,534	1,578	1,686	5	6
Scotland Water Company	Scotland	W-426	6,093		42		1	
Setzer Brothers Well Boring, Inc.	Catawba	W-360	49,511		272		4	
Shaw Hill 22 Investors	Durham	W-943	4,434		28		1	
Silver Maples Mobile Estates	Cabarrus	W-776		3,518		30		1
Simpson & Simpson Utilities	Lee	W-1112	30,113	47,100	172	172	1	1
South Asheville Water Works	Buncombe	W-1104	4,417	5,238	64	64	1	1
South Mountain Water Works	Burke	W-866	7,415		37		1	
Southern Water Service, Inc.	Wake	W-1094	37,049		94		2	

(1) This company serves Alamance, Cabarrus, Forsyth, Mecklenburg, Randolph, Rowan, and Stokes counties.

FIGURE NO. 7-3

WATER AND SEWER COMPANIES REGULATED BY THE NORTH CAROLINA UTILITIES COMMISSION
REVENUES, CUSTOMERS, AND NUMBER OF SYSTEMS
 Data As Of December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Spring Water Company, Inc.	Wake	W-337	\$5,471		17		1	
Springdale Water Company	Haywood	W-406	23,626	\$19,804	104	48	1	1
Springs Industries (Springfield Village)	Scotland	W-650		2,336		29		1
Sugarloaf Utility, Inc.	Carteret	W-840		50,191		2		1
Thompson, Donald O.	Henderson	W-1024	10,948		29		1	
Tobacco Branch Village Water (Village Water)	Graham	W-504	20,566		62		1	
Total Environment Solutions, Inc.	Franklin	W-1146	589,645		1,129		1	
Tradition at Mallard Creek (The)	Mecklenburg	W-1117	17,646	22,458	279	279	1	1
Transylvania Utilities	Transylvania	W-1012	273,781	284,543	2,668	1,676	1	1
Twin Creeks Utilities	Buncombe	W-1035	8,836		26		1	
University Heights	Jackson	W-760	5,040		42		1	
Viewmont Acres Water System	Buncombe	W-856	6,703		45		1	
Watauga Vista Water Corporation	Macon	W-703	36,099		137		1	
Water Quality Services, Inc.	Watauga	W-1099		126,878		341		3
Water Resources Inc.	Cabarrus/Mecklenburg	W-1034	92,711		300		3	
Water Resource Management, Inc.	Watauga	W-1073		34,275		112		6
Water Works of Alamance County, Inc.	Alamance	W-1149	1,102		12		1	
Watercrest Estates	Iredell	W-1021	15,286		77	77	1	1
Webb Creek Water and Sewer, Inc.	Onslow	W-864		22,909		772		1
Wellington Mobile Home Park, Inc.	Buncombe	W-1011		246,361		316		1
West Wilson Water Company	Wilson	W-781	58,040	58,421	316		1	
Western Utilities Corporation	Stanly	W-229	70,048		198		5	
Whispering Pines Village	Cumberland	W-1042	11,592	9,998	31	31	1	1
White Forest Wastewater Treatment	Mecklenburg	W-1157	16,085	30,847	189	189	1	1
Whitewood Properties, Inc. (Neuse Crossing)	Wake	W-1004		12,600		7		1
Willowbrook Utility Co.	Mecklenburg	W-981		58,279		135		2
Willow Creek Builders, Inc.	Davidson	W-387		37,810		86		1
Woodland Heights MHP	Buncombe	W-1161		57,212		135		1
Woodlands at Wakefield Plantation Ltd. Partner.	Wake	W-1127	16,931	0		0	1	1
Woods Water Works, Inc.	Surry	W-735	5,180	13,853	340	360	1	1
TOTAL (175)			\$34,895,170	\$17,203,724	110,264	48,292	1,170	333

N/A--Not Available

Total Number of Current Companies--175

FIGURE NO. 7-3A

CURRENT DATA OF WATER AND SEWER RESELLERS REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
For the Calendar Year Ended December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
100 Spring Meadow Drive Apartments	Durham	WR-47	\$12,263	\$20,009	286	286	1	1
Abbotts Creek Apartment Homes	Forsyth	WR-19	7,968	10,316	213	213	1	1
Acquipoit Cambridge, Inc.	Wake	WR-61	N/R	N/R	N/R	N/R	N/R	N/R
Acquipoit Woodway, Inc.	Wake	WR-60	18,705	16,229	186	186	1	1
AIMCO/Shadow Lake, LP	Guilford	WR-147	0	0	136	136	1	1
Alexander Development, LLC	Mecklenburg	WR-136	3,920	6,824	195	195	1	1
Alliance MD Portfolio II, LLC	Guilford/Meck/Wake	WR-70	7,370	7,370	394	394	4	4
Alta Crest Limited Partnership	Durham	WR-21	22,989	24,602	292	292	1	1
Alta Forest Limited Partnership	Mecklenburg	WR-27	17,829	17,018	239	239	1	1
Alta Trace, L.P.	Durham	WR-124	8,229	9,111	251	251	1	1
Amelia Village, LLC	Johnston	WR-44	N/R	N/R	N/R	N/R	N/R	N/R
Atlantic Multifamily LTD Partnership	(1)	WR-15	121,844	130,594	1,578	1,578	8	8
Atlantis Partners, LLC	New Hanover	WR-137	7,968	10,316	213	213	1	1
Autumn Park Apartments, LLC	Guilford	WR-79	N/R	N/R	N/R	N/R	N/R	N/R
Autumn Park Associates, LLC	Mecklenburg	WR-26	27,228	48,265	496	496	1	1
Autumn Wood Associates, LLC	Orange	WR-28	14,979	21,822	226	226	1	1
Barrington Place Associates, LLC	Mecklenburg	WR-167	N/R	N/R	N/R	N/R	N/R	N/R
Belmont Apartment Investors, LLC	Durham	WR-48	17,507	25,366	312	312	1	1
Benj. E. Sherman & Sons, Inc.	Wake	WR-161	1,145	1,139	289	289	1	1
Birkdale Village, LLC	Mecklenburg	WR-125	2,321	3,781	137	137	1	1
BNP Realty, LLC	Alamance/Guilford	WR-59	N/R	N/R	N/R	N/R	N/R	N/R
BNP/Chason Ridge, LLC	Cumberland	WR-64	N/R	N/R	N/R	N/R	N/R	N/R
BNP/Chrysson Phase I, LLC	Guilford	WR-62	N/R	N/R	N/R	N/R	N/R	N/R
Bradford Place Limited Partnership	Wake	WR-67	5,718	7,844	80	80	1	1
BRH Cumberland Cove, LLC	Wake	WR-104	16,587	14,277	552	552	1	1
Bridgewood Title Partnership	Nash	WR-132	3,095	5,160	100	100	1	1
BRNA, LLC	Wake	WR-75	10,005	8,479	164	164	1	1
Brookstone Apartments	Mecklenburg	WR-98	11,881	20,933	222	222	1	1
Brown Investment Properties	Guilford	WR-46	7,630	7,629	96	96	1	1
CWS Harbor Cove/Montclair	Mecklenburg	WR-13	11,837	23,589	282	282	1	1
California State Teachers Retirement System	Wake/Mecklenburg	WR-66	46,439	44,233	255	255	2	2

N/R - No report filed

(1) This company serves Durham, Mecklenburg, Orange, and Wake Counties.

FIGURE NO. 7-3A

**CURRENT DATA OF WATER AND SEWER RESELLERS REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION**
For the Calendar Year Ended December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Camden Operating LP	Mecklenburg/Guilford	WR-42	\$185,217	\$261,710	2,179	2,179	8	8
Carmel Valley Associates	Mecklenburg	WR-10	11,087	11,087	312	312	1	1
Carmel Valley II, L.P.	Mecklenburg	WR-71	N/R	N/R	N/R	N/R	N/R	N/R
Carolina Oaks Corporation	Guilford	WR-4	4,761	4,760	96	96	1	1
Carriage Club at Bluefield Downs LLC	Iredell	WR-69	11,976	12,207	268	268	1	1
Carriage House Apartments Limited Partner.	Gaston	WR-144	0	0	102	102	1	1
Carroll Investment Properties, Inc.	Guilford	WR-45	29,123	29,123	268	268	3	3
CDC Pineville, LLC	Mecklenburg	WR-86	9,389	16,329	245	245	1	1
CEG Jacksonville, LLC	Onslow	WR-50	17,985	51,358	368	368	1	1
Century Oaks Apartments	Durham	WR-5	7,574	12,155	96	96	1	1
Clearwater Apartments, LLC	Moore	WR-95	5,488	11,141	128	128	1	1
CRIT-NC, LLC	(1)	WR-39	N/R	N/R	N/R	N/R	N/R	N/R
Crosland Arbors, LLC	Mecklenburg	WR-135	7,185	12,555	119	119	1	1
Crosland Radbourne, LLC	Mecklenburg	WR-134	11,700	20,431	187	187	1	1
DOC Investors LLC	Mecklenburg	WR-24	9,043	13,563	232	232	1	1
DRP Stoneycreek, LLC	Mecklenburg	WR-32	12,044	18,991	262	262	1	1
Eaststone, LLC	Mecklenburg	WR-160	1,357	1,903	119	119	1	1
Epoch-Florida Capital Raleigh Investment Ptrs	Wake	WR-156	0	0	0	0	1	1
Equity Residential Properties	(2)	WR-18	N/R	N/R	N/R	N/R	N/R	N/R
ERI-NC, Inc.	Wake	WR-25	N/R	N/R	N/R	N/R	N/R	N/R
Estates at Chapel Hill, LLC	Orange	WR-89	41,736		197	197	1	1
Estates at Charlotte I, LLC	Mecklenburg	WR-73	8,973	8,973	160	160	1	1
Fairfield Dillard Road LP	Wake	WR-130	4,241	3,780	190	190	1	1
Forest at Asheville Properties, LLC (The)	Buncombe	WR-20	N/R	N/R	N/R	N/R	N/R	N/R
Forest Hill Apartments, LLC	New Hanover	WR-34	16,979	30,869	326	326	1	1
Foxfire Apartments, LLC	Durham	WR-116	N/R	N/R	N/R	N/R	N/R	N/R

N/R - No report filed

(1) This company serves Buncombe, Cabarrus, Durham, Guilford, Mecklenburg, and Wake Counties.

(2) This company serves Durham, Guilford, Mecklenburg, Orange, and Wake Counties.

FIGURE NO. 7-3A

CURRENT DATA OF WATER AND SEWER RESELLERS REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
For the Calendar Year Ended December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Foxrun Ridge Limited Partnership	Stanly	WR-146	\$620	\$684	46	46	1	1
G & I I University, LLC	Mecklenburg	WR-57	15,247	25,844	308	308	1	1
Gray Property 2105, LLC	Mecklenburg	WR-178	8,236	16,721	232	232	1	1
Greensboro-Oxford Associates, LP	Guilford	WR-122	19	12	244	244	1	1
Hampton L.P. (The)	Durham	WR-17	5,813	9,318	286	286	1	1
Heather Park Limited Partnership	Wake	WR-94	16,357	16,357	177	177	1	1
Helman-Crown Ridge, LLC	Mecklenburg	WR-40	8,999	15,191	168	168	1	1
Hudson Landing Limited	Gaston	WR-84	6,864	8,964	89	89	1	1
Hunt Management Company	Wake	WR-123	30,565	41,448	510	510	4	4
Hunt's View Apartments LTD., Partnership	Guilford	WR-158	18,427	18,426	218	218	1	1
Inman Park Apartments, LP	Wake	WR-117	6,451	9,997	221	221	1	1
Jefferson At Cary Towne, LP	Wake	WR-118	15,236	15,142	354	354	1	1
Jefferson Creekside, LP	Mecklenburg	WR-63	22,005	34,493	492	492	1	1
Joslin Realty, Inc.	Wake	WR-151	1,437	1,169	45	45	1	1
Knickerbocker Properties, Inc. XX	Durham	WR-109	N/R	N/R	N/R	N/R	N/R	N/R
Legacy Meadows Limited Partnership	Durham	WR-80	609	609	270	270	1	1
Legacy Park Apartments, LLC	Mecklenburg	WR-110	N/R	N/R	N/R	N/R	N/R	N/R
Lexington Farms Apartments, Inc.	Wake	WR-96	13,552	22,425	270	270	1	1
Lodge at Ballantyne, LLP	Mecklenburg	WR-114	12,114	20,654	244	244	1	1
Lodge at Old Concord, LLC	Mecklenburg	WR-87	11,257	18,122	327	327	1	1
Lodge at Southpoint, LP	Durham	WR-88	N/R	N/R	N/R	N/R	N/R	N/R
Lodge at Spring Farm, Ltd.	Mecklenburg	WR-55	12,066	20,250	300	300	1	1
Mallard Creek Apt. Properties, LLC	Mecklenburg	WR-58	10,707	17,728	249	249	1	1
Meadowmont Apartments Assoc., LLC	Durham/Orange	WR-91	N/R	N/R	N/R	N/R	N/R	N/R
Mid America Capital Partners, L.P.	Guilford/Wake	WR-22	45,655	40,444	175	175	1	1
Murfield Village Apartments	Wake	WR-53	11,739	11,019	212	212	1	1
MV/ALG River Crossing Limited	Mecklenburg	WR-164	305	520	58	58	1	1
National Pinetree, LP	Mecklenburg	WR-153	0	0	220	220	1	1
Nevin Rd. Associates, LLC	Mecklenburg	WR-37	7,763	7,763	25	25	1	1
N/R - No report filed								

FIGURE NO. 7-3A

CURRENT DATA OF WATER AND SEWER RESELLERS REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
For the Calendar Year Ended December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
New Brookstone, LLC	Mecklenburg	WR-138	N/R	N/R	N/R	N/R	N/R	N/R
Northwestern Mutual Life Insurance Co.	Wake	WR-129	\$27,421	\$22,205	633	633	2	2
Notting Hill LLC	Orange	WR-68	17,272	31,651	185	185	1	1
NPCA Limited Partnership	Durham	WR-140	336	1,848	233	233	1	1
Olmsted Park Apartments, LP	Mecklenburg	WR-99	6,974	11,969	119	119	1	1
Orange Grove Park Limited	Durham	WR-170	0	0	0	0	1	1
Parkside Village Associates	Johnston	WR-150	465	788	92	92	1	1
Petit Five, LLC	Guilford	WR-127	17,432	17,431	204	204	1	1
Plantation Park Apartments, Ltd.	Mecklenburg	WR-31	11,145	18,605	278	278	1	1
Post Apartment Homes, L.P.	Mecklenburg	WR-49	43,963	56,943	977	977	3	3
Prudential Insurance Co. of America	Mecklenburg	WR-38	11,332	21,059	261	261	1	1
Quail Woods Developers	Gaston	WR-120	0	0	188	188	1	1
R & B Realty Group	Durham	WR-133	2,409	3,334	254	254	1	1
RCG Preston, LLC	Wake	WR-16	16,511	30,306	228	228	1	1
Redcliffe At Kenton Place LLC	Mecklenburg	WR-97	10,024	16,195	314	314	1	1
Regent Morrisville, Inc.	Wake	WR-72	19,205	34,142	270	270	1	1
Regent Ravinia, LLC	Wake	WR-139	2,849	2,634	179	179	1	1
Regent Triangle, Inc.	Durham	WR-23	16,928	22,329	204	204	1	1
Reserve at Waterford	Mecklenburg	WR-102	5,214	8,314	136	136	1	1
Rosedale Commons LLC	Mecklenburg	WR-101	14,512	18,117	303	303	1	1
RTP/Parkside, LLC	Wake	WR-65	25,820	41,704	276	276	1	1
SCA-North Carolina Limited	Wake/Mecklenburg	WR-35	232,952	268,662	2,688	2,688	10	10
SG Brassfield Park	Guilford	WR-105	19,806	19,165	336	336	1	1
Socal-Thornberry, Inc.	Mecklenburg	WR-106	14,387	18,535	236	236	1	1
Spanos Corporation (The)	Mecklenburg	WR-11	4,346	7,033	244	244	1	1
St Andrews Place Apartments, LLC	New Hanover	WR-111	N/R	N/R	N/R	N/R	N/R	N/R
Sterling Apartments, LLC	Durham/Orange/Meck.	WR-90	11,932	20,196	707	707	4	4
Stillwater Apartments, LLC	Mecklenburg	WR-119	13,276	17,626	282	282	1	1
Summermill Apartments L.P.	Wake	WR-141	0	0	0	0	1	1

FIGURE NO. 7-3A

CURRENT DATA OF WATER AND SEWER RESELLERS REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
For the Calendar Year Ended December 31, 2002

Company	County	Docket Number	Annual Revenues		Number of Customers		Number of Systems	
			Water	Sewer	Water	Sewer	Water	Sewer
Summit Properties Partnership, L.P.	(1)	WR-6	\$293,296	\$515,049	5,082	5,082	19	19
TCR Place, LP	Durham	WR-131	6,264	5,776	136	136	1	1
Tower Place, LLC	Cabarrus	WR-108	6,837	11,896	103	103	1	1
Trellis Pointe, LLC	Wake	WR-14	16,839	16,539	136	136	1	1
UDRT of North Carolina, LLC	(2)	WR-3	974,829	1,317,688	10,283	10,283	37	37
University House of Tryon, LP	Wake	WR-115	10,876	10,876	91	91	1	1
USA McAlpine Place, LLC	Mecklenburg	WR-103	28,797	46,374	356	356	1	1
Vanstory Apartments, LLC	Guilford	WR-126	2,635	3,234	162	162	1	1
Village Green Apartments, LLC	Cabarrus	WR-82	17,020	20,170	312	312	1	1
Vinings Creek, LLC	Mecklenburg	WR-76	10,647	18,299	212	212	1	1
Wakefield Glen, LLC	Wake	WR-83	N/R	N/R	N/R	N/R	N/R	N/R
Walnut Ridge Partners, LP	Wake	WR-152	0	0	0	0	1	1
Waterford Creek LLC	Mecklenburg	WR-1	21,317	21,317	264	264	1	1
White/Crosland Associates, LLC	Mecklenburg	WR-36	12,713	22,546	265	265	1	1
Willow Ridge Apartments, LLC	Mecklenburg	WR-81	25,221	41,526	456	456	1	1
Windridge Oxford Associates	Mecklenburg	WR-149	0	0	241	241	1	1
WP River, L.L.C.	Wake	WR-93	13,248	23,376	284	284	1	1
Wynslow Park, LLC	Wake	WR-128	932	809	131	131	1	1
Yager Family Ltd. Partnership, The Dexter	Mecklenburg	WR-77	10,093	17,642	233	233	1	1
TOTAL (134)			\$3,081,432	\$4,183,049	47,362	47,362	206	206

N/R - No report filed

(1) This company serves Chatham, Durham, Mecklenburg, and Wake Counties.

(2) This company services Buncombe, Craven, Cumberland, Durham, Forsyth, Guilford, Mecklenburg, New Hanover, Onslow, Orange, and Wake.

FIGURE NO. 7-4

NONCURRENT DATA OF WATER AND SEWER COMPANIES REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
Data Range 1994-2001

Company	County	Docket Number	Date of Data	Annual Revenues		Number of Customers		Number of Systems	
				Water	Sewer	Water	Sewer	Water	Sewer
Bach's Mobile Home Park Bear Den Acres Butler Water Assoc., Inc.	Catawba McDowell Buncombe	W-835	1998	\$2,520		18		1	
		W-1040	2001	22,115		51		1	
		W-1006	2001	7,903		22		1	
Coastal Plains Utilities Company Cowan Valley Water Systems	New Hanover Jackson	W-215	2000	141,588		651		3	
		W-829	2001	5,825		22		1	
Dutchman Creek, Inc.	Wake	W-1082	2001	17,612		71		1	
Emerald Plantation Utility Co.	Carteret	W-843	2001		\$59,593		45		1
		W-935	2001	1,440		10		1	
Forest Hills Water System	Surry	W-777	2001	64,340	57,727	297	297	1	1
Governor's Club Limited Partnership	Chatham	W-947	2001		250,126		615		1
Harrco Utility Corporation	Wake/Durham	W-796	1995		184,631		357		7
Ideal Mobile Home Park	Wake	W-748	2001	0		0		1	
Johnson & Perry Company	New Hanover	W-998	N/R						
M.D. Square, Inc.	Wake	W-338	2001	2,882		16		1	
Maria Park Water System (Fannie C. Patterson)	Gaston	W-276	2001	3,774		28		1	
McCullers Pines Water System	Wake	W-727	2001	3,410		14		1	
Mullis, Giles E.	Cabarrus	W-547	2000			20		1	
North State Utilities, Inc.	1/	W-848	N/R						

*This company was cancelled April 30, 2003.

1/ This Company serves Durham, Mecklenburg, and Wake Counties.

FIGURE NO. 7-4

NONCURRENT DATA OF WATER AND SEWER COMPANIES REGULATED
BY THE NORTH CAROLINA UTILITIES COMMISSION
Data Range 1994-2001

Company	County	Docket Number	Date of Data	Annual Revenues		Number of Customers		Number of Systems	
				Water	Sewer	Water	Sewer	Water	Sewer
Peach Orchard Water System	Gaston Currituck/Dare New Hanover	W-1083	P.S.						
Pine Island Currituck, LLC		W-1072	2001	\$4,354		12	486		3
Porters Neck Company, Inc.		W-1059	2001	106,365	\$232,641	420		1	
Scotsdale Water and Sewer *	Wake/Hoke Wake	W-883	1999	93,411		304		8	
Sedgefield Development Corp.		W-1036	N/R						
Sentry Utilities, Inc.		W-811	2001		14,676		394		2
South Rowan Investment Corp.	Rowan	W-807	2001	3,401		19		1	
ST Utility Company		W-984	2001	44,088		167		1	
Sun-Tech Water Corporation		W-1088	2001	8,390		31		1	
TPG Utilities, Inc.	Transylvania Mecklenburg Currituck	W-675	2001	20,186		88		1	
Tri-County Wastewater		W-848A	2001		14,429		29		1
Turnpike Properties (Pine Island Utilities)		W-999	2001	184,597		260		1	
Viking Utilities Corp., Inc.	Onslow Moore	W-740	1998		295,104		773		1
Vila Pump Company		W-945	2000	18,770		59		1	
Yadkin Water Corporation	Yadkin	W-585	1994	2,880		20		1	
TOTAL (33)				\$759,851	\$1,108,927	2,600	2,996	31	17

*This company was cancelled February 11, 2004.

(1) This Company serves Alexander, Catawba, Iredell, and Lincoln Counties.

N/R = No Annual Report Filed for these Companies

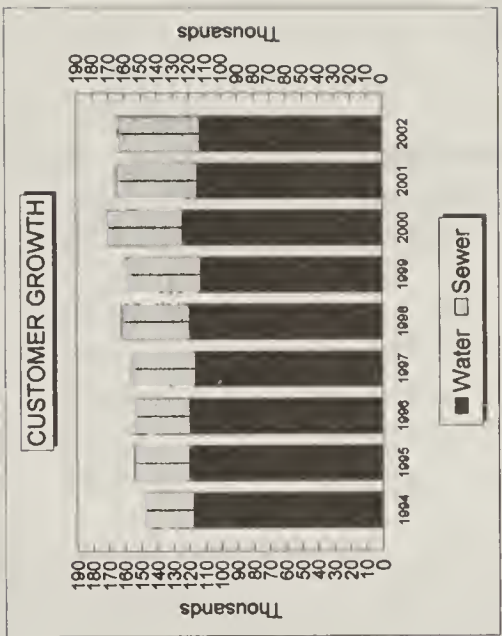
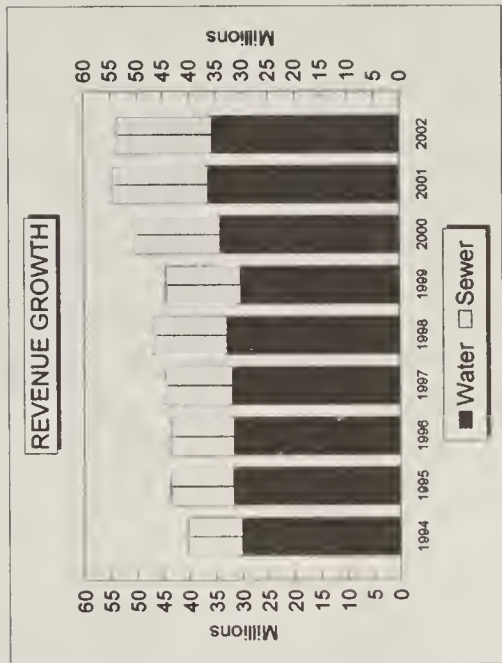
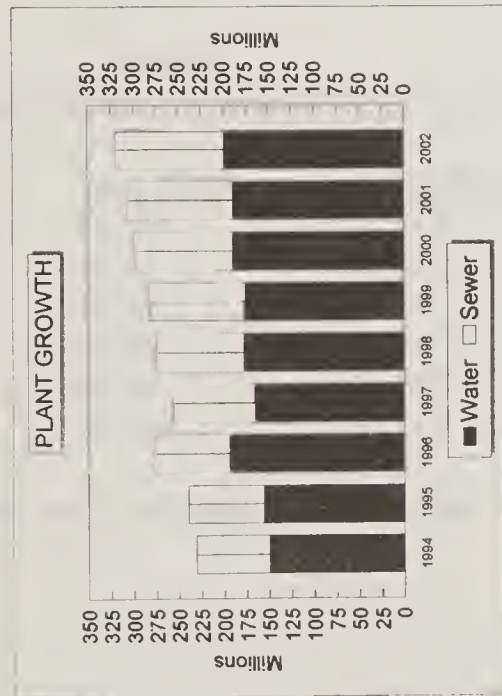
Total Number of Non-Current Companies--33

P.S. - Information Furnished by Public Staff

FIGURE NO. 7-5

PLANT, REVENUE AND CUSTOMER GROWTH OF ALL REGULATED
WATER & SEWER COMPANIES IN NORTH CAROLINA

For the Years 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002



	1994	1995	1996	1997	1998	1999	2000	2001	2002
Water:									
Plant	\$135,959,108	\$156,189,711	\$193,549,919	\$165,096,626	\$177,272,672	\$176,997,807	\$189,498,760	\$189,765,012	\$19,908,495
Revenues	\$27,278,534	\$31,645,829	\$31,587,085	\$31,874,399	\$32,858,355	\$30,261,881	\$34,081,498	\$36,288,535	\$35,655,021
Customers	112,233	119,963	119,707	116,163	119,689	112,711	123,868	114,745	112,864
Sewer:									
Plant	\$78,160,594	\$83,647,007	\$84,954,567	\$91,062,512	\$97,066,491	\$105,601,278	\$109,455,677	\$118,734,887	\$120,865,174
Revenues	\$10,742,926	\$11,990,705	\$11,840,410	\$12,715,087	\$13,864,001	\$14,202,612	\$16,306,333	\$18,509,972	\$18,312,651
Customers	30,357	34,182	35,010	39,602	42,288	46,263	47,983	50,229	51,288
Total Number of Companies	289	244	251	244	227	230	225	233	208

FIGURE NO. 7-6

**COMPARATIVE MONTHLY CHARGES FOR RESIDENTIAL
WATER & SEWER SERVICE IN NORTH CAROLINA
As of January 2004**

Publicly Owned Systems	WATER		
	Nonregulated Systems - Inside City Limits		
	3,000 gal.	6,000 gal.	9,000 gal.
Asheville	\$15.70	\$28.98	\$42.26
Charlotte	5.91	10.27	14.63
Greensboro	6.25	12.85	20.55
Raleigh	6.65	11.45	16.25
Wilmington	10.08	16.16	22.24
Winston-Salem	5.25	10.50	15.76
Average-(Simple)	\$8.31	\$15.04	\$21.95

Privately Owned Systems Regulated by Commission * (Class B or Larger)	WATER		
	Regulated Systems - Inside Service Area		
	3,000 gal.	6,000 gal.	9,000 gal.
Brookwood Water Corporation	\$8.99	\$11.54	\$14.09
Corriher Water Service	21.35	30.20	39.05
Joyceton Water Works	8.19	13.98	19.77
LaGrange Waterworks Corporation	27.82	30.79	33.76
Total Environment Solutions	39.73	52.24	64.75
Average-(Simple)	\$17.68	\$23.13	\$28.57

Publicly Owned Systems	SEWER		
	Nonregulated Systems - Inside City Limits		
	3,000 gal.	6,000 gal.	9,000 gal.
Asheville	\$14.94	\$26.90	\$38.86
Charlotte	10.75	19.95	29.15
Greensboro	9.00	17.00	25.00
Raleigh	5.76	10.24	14.72
Wilmington	13.46	22.42	31.38
Winston-Salem	4.81	9.62	14.42
Average-(Simple)	\$9.79	\$17.69	\$25.59

Privately Owned Systems Regulated by Commission * (Class B or Larger)	SEWER		
	Regulated Systems - Inside Service Area		
	3,000 gal.	6,000 gal.	9,000 gal.
Bald Head Island Utilities	\$46.57	\$46.57	\$46.57
CWS Systems	28.75	28.75	28.75
Carolina Water Service of North Carolina	30.55	30.55	30.55
Heater Utilities, Inc.	48.81	48.81	48.81
Hydraulics, Ltd. (Name Changed to Aqua North Carolina Inc.)	33.02	46.04	59.06
Average-(Simple)	\$31.28	\$33.45	\$35.62

* These rates may vary depending on area served and if the residence includes water and sewer or just one type of service.

VIII. Securities, Audits, And Annual Reports

A. SECURITIES, MERGERS AND TRANSFERS

The Commission approved eleven new applications for the issuance of electric, gas, telephone, and water and sewer securities and borrowings during 2002. The Commission also approved 846 requests for mergers and transfers in 2002. Figure No. 8-1 lists the docket number, companies, and actions involved in these applications for sale of securities, mergers, and transfers.

The securities applications are processed by personnel in the Operations Division of the Commission, and reports and recommendations are made to the Commissioners. These reports evaluate and consider many factors such as: (1) the present and projected earnings position of the company, (2) the effect of the projected issue on the company's capital structure, (3) the expense of the issue, (4) the estimated net yield, (5) the probable market price per unit, (6) the purpose of the issue, (7) the use to which the proceeds are to be applied, (8) whether the issue is compatible with the overall public interest, and (9) the merits of the proposed method of marketing the securities; i.e., by competitive bidding, negotiation, or private placement.

The new capital raised through the sale of securities is primarily for the replacement of short-term borrowings, which have been used largely for new utility plant construction, modernization, and improvement of existing plant to meet increased demands for additional and improved service. However, in recent years there has been an increasing amount of new securities issued to redeem existing higher cost preferred stock and long-term debt issues.

The Operations Division also processes and presents applications for transfers and mergers to the Commission. These requests are evaluated for company financial stability and the effect the merger/transfer will have on the consumers. Merger and transfer applications are often the result of intracompany reorganizations.

B. AUDITS AND EXAMINATIONS--COMMENTS

Personnel of the Commission's Public Staff Accounting Division perform extensive audits of the operations of public utilities. The results of each of these audits are a part of the

Public Staff's position on matters before the Commission, and they are filed with the Chief Clerk as an official document if they are part of a general rate case proceeding. A brief summary of audits and special studies for 2002 follows:

Utility & Type Audit	2002 No. of Exams
Electric	
General Rate Case	0
Fuel Clause Cases	3
Purchased Power Adjustments	5
Gas	
General Rate Case & Earnings Investigation	1
Change in Cost of Purchased Gas	25
Telephone	
General Rate Case	0
Water and Sewer	
Rate Cases	16
Motor Freight & Motor Passenger	
Audits	0
Operating Ratios & Tariffs	0
Total	50

C. ANNUAL REPORTS--COMMENTS

For the years 2001 and 2002, there were 1,519 and 1,448 utilities, respectively, regulated or required to file annual reports of their operations with the Commission. This number includes 79 nonregulated municipal utility systems. The annual report forms are prepared by the Commission's Public Staff Accounting Division and mailed to the regulated utilities and the municipal utility systems. All completed and returned annual reports of the larger utilities are reviewed in detail by the Accounting personnel of the Public Staff for compliance with the Uniform System of Accounts. At the present time, not all utilities file annual reports.

FIGURE NO. 8-1

2002 MERGERS, SECURITIES, SALES, AND TRANSFERS

Docket No.	Company	Transaction	Date Filed	Date Approved
Mergers				
None				
Securities				
E-7, Sub 720	Duke Power	Application to Issue and Sell Securities (maximum of \$2,000,000,000 Aggregate Public Offering Price or Principal Amount)	10/25/2002	11/13/2002
G-44, Sub 4	Eastern North Carolina Natural Gas Company	Application for Authority to Issue Securities	08/27/2002	09/26/2002
P-16, Sub 208	Concord Telephone Company	Application for Authorization to Repurchase/Redeem 1000 Shares of CTC Cumulative Preferred Stock, 4.80% Series	05/29/2002	06/17/2002
E-2, Sub 791	Carolina Power & Light Company	Application for Authority to Enter Into Pollution Control Bond Refinancing for CP&L	12/11/2001	01/09/2002
G-40, Sub 27	Frontier Energy, LLC	Application for Approval of Financing Plan	11/30/2001	01/22/2002
E-7, Sub 700	Duke Power	Application for Approval to Issue Common Stock in Connection With the Acquisition of Westcoast Energy Inc.	10/10/2001	02/08/2002
Sale/Transfer				
G-21, Sub 439 E-2, Sub 825	North Carolina Natural Gas Corp. Progress Energy Carolinas, Inc.; Carolina Power & Light Co. dba	Joint Application for Approval of Stock Purchase and Certificate Transfer	12/23/2002	06/26/2003
P-1098, Sub 1	ALEC, Inc.	Petition for Approval of Joint Application of Wispnet NC, LLC and ALEC, Inc. for Stock Purchase and Transfer Ownership and Control	12/19/2002	01/23/2003
SC-1427, Sub 6	Evercom Systems, Inc.	Petition for Expedited Approval of Indirect Transfer of Control of Evercom Systems, Inc. Pursuant to a Debt/Equity Exchange by Evercom, Inc.	12/19/2002	01/23/2003
P-1202, Sub 3 P-1013, Sub 2	Xspedius Management Co. Switched Services, LLC Xspedius, LLC	Petition for Authority to Transfer Control to Xspedius Management LLC	12/09/2002	07/10/2003
E-22, Sub 405	Dominion North Carolina Power, Virginia Electric & Power Co., dba	Petition for Transfer of Office Equipment	12/06/2002	03/11/2003
W-1195, Sub 0 W-387, Sub 4	Willow Creek Holdings, LLC Willow Creek Builders, Inc.	Application to Transfer Certificate of Willow Creek Builders, Inc. to Willow Creek Holdings, LLC	11/26/2002	07/18/2003
W-820, Sub 13 W-1049, Sub 5	R.O.E. Water Utility Company A & D Water Service, Inc.	Application to Transfer Certificate of R.O.E. Water Service Company to A & D Water Service, Inc.	11/25/2002	11/25/2002
W-1065	EMC Rural Services Inc.; Edgecombe-Martin County EMC dba	Application to Transfer Certificate of EMC Rural Services, Inc. to Edgecombe Water and Sewer District 2 (Owner Exempt) in Ridgewood Estates, Lone Pine MHP and Lakeside MHP in Edgecombe County	11/08/2002	01/23/2003
WR-11, Sub 5 WR-109, Sub 3	Spanos Corporation, The Knickerbocker Properties, Inc. XX	Petition for Transfer of Authority for Allocation of Rental Costs to Knickerbocker Properties, Cheswyck at Ballantyne Apts., Mecklenburg Co.	11/06/2002	01/03/2003
E-22, Sub 403	Dominion North Carolina Power, Virginia Electric & Power Company dba	Application for Approval of Transfer of Inventory and Parts Reimbursement Agreement Pursuant to G.S. 62-153	11/01/2002	06/30/2003
E-22, Sub 404	Dominion North Carolina Power			
P-656, Sub 6	E-Z Tel, Inc.	Application for Approval of Transfer of Control to Arcomm Holding Co.	10/28/2002	12/17/2002
P-888, Sub 2	360 Networks (USA) Inc.	Petition for Approval of an Indirect Transfer of Control	10/23/2002	12/04/2002
P-1105, Sub 2 P-389, Sub 5	A.R.C. Networks, Inc. Lightyear Communications, Inc.	Joint Application for Approval of Lightyear Communications, Inc., Lightyear Telecommunications, LLC's Transfer of Assets to A.R.C. Network, Inc.	10/15/2002	12/04/2002
P-384, Sub 3	Lightyear Telecommunications LLC			

FIGURE NO. 8-1 CONTINUED

Docket No.	Company	Transaction	Date Filed	Date Approved
Sale/Transfer				
W-787, Sub 17	Fairways Utilities, Inc.	Joint Application for Approval of the Acquisition of Acquasource's Stock by Philadelphia Suburban Corporation Resulting in Transfer of a Controlling Interest in Fairways, Glynnwood Water Systems, Mountain Point Utilities, Inc., Rayco Utilities, Willowbrook Utility	10/11/2002	03/13/2003
W-1032, Sub 4	Glynnwood Water Systems Inc.			
W-989, Sub 4	Mountain Point Utilities, Inc.			
W-899, Sub 28	Rayco Utilities, Inc.			
W-981, Sub 5	Willowbrook Utility Company, Inc.			
P-773, Sub 1	Startec Global Licensing Company	Petition to Transfer Ownership or Control of Startec Global Communications to Allied Capital Corporation	10/07/2002	11/14/2002
P-760, Sub 2	HJN Telecom, Inc.	Petition for Approval of a Stock Purchase Agreement	10/01/2002	11/14/2002
P-850, Sub 2	Navigators Telecommunications, LLC	Petition for Approval of Transfer of Existing Residential Customers From One Point Communications	09/26/2002	10/23/2002
P-671, Sub 7	One Point Communications - Georgia, LLC			
P-400, Sub 8	Global Crossing North America Network	Joint Application for Transfer of Control	09/20/2002	11/14/2002
P-200, Sub 17	Cable & Wireless USA Inc.	Application to Transfer Customer Base From Cable & Wireless USA, Inc. to Primus Telecommunication Group Inc.	09/20/2002	10/15/2002
P-451, Sub 4	Primus Telecommunication, Inc.			
P-483, Sub 2	Budget Call Long Distance, Inc.	Joint Application for Transfer of Control	09/20/2002	11/14/2002
P-843, Sub 2	Global Crossing Local Services Inc.			
P-244, Sub 21	Global Crossing Telecommunications, Inc.			
P-1219, Sub 0	Voicecom Telecommunications, LLC	Petition for Approval of Joint Application for Acquisition of Assets and for Assignment of Authorization	09/12/2002	11/14/2002
P-380, Sub 7	Premier Communications Inc.			
W-198, Sub 36	Mercer Environmental Corporation	Application to Transfer Certificate of Mercer Environmental Corporation to Carolina Water Service, Inc. to Provide Sewer Service in Regalwood and White Oak Subdivisions, Onslow Co.	09/10/2002	06/06/2002
W-354, Sub 258	Carolina Water Services, Inc. of North Carolina			
WR-159, Sub 0	BES Crabtree Fund I and BES Crabtree Fund II	Application for Transfer of Authority for Allocation of Rental Costs in Crabtree Valley, Wake County from SCA North Carolina, LP	09/10/2002	02/24/2003
WR-15, Sub 9	Atlantic Multifamily Limited Partnership I	Application for Transfer of Authority for Allocation of Rental Costs for Water/ Sewer in Eastover Glen Apts., Mecklenburg Co.	09/10/2002	10/14/2002
WR-160	Eaststone, LLC			
WR-161, Sub 0	Benj E. Sherman & Sons, Inc., Managing Agent for BES Millbrook Fund I & II	Application for Transfer of Authority for Allocation of Rental Costs for Water/ Sewer in West Millbrook, Wake County From SCA North Carolina, L.P.	09/10/2002	12/13/2002
WR-35, Sub 17	SCA - North Carolina Limited Partnership			
WR-35, Sub 18	SCA - North Carolina Limited Partnership	Application for Transfer of Authority for Allocation of Rental Costs in Crabtree Valley (formerly Cameron Square, Wake County)	09/10/2002	02/24/2003
P-659, Sub 11	MCI WorldCom Communications, Inc.	Joint Petition for Approval of Transfer of Customer Bases	09/06/2002	10/11/2002
WR-158	Hunt's View Apartments Limited Partnership	Application for Approval of Sale of Hunts View Apartments in Guilford County From Casa Group, LLC	09/06/2002	01/09/2003
WR-56, Sub 1	Casa Group, L.L.C.			
P-948, Sub 2	PT-1 Long Distance, Inc.	Petition for Approval of Transfer of Customer Base and Assets to TTI National Inc.	08/30/2002	10/07/2002
P-541, Sub 4	TTI National, Inc.			
W-274, Sub 399	Heater Utilities, Inc.	Application to Transfer Certificates From Guilford Utilities to Heater Utilities to Provide Water Utility Service to Weatherstone and Wilson Farms Subdivision in Guilford County	08/29/2002	03/03/2002
W-1140, Sub 2	Guilford Utilities, Inc.			
P-500, Sub 16	ITC Deltacom Communications, Inc.	Application for Authority to Transfer Control	08/20/2002	10/02/2002
P-1007, Sub 2	Worldxchange Corp.	Petition for Authority to Complete a Pro Forma Debt Restructuring and Related Transactions	08/12/2002	10/02/2002

Docket No.	Company	Transaction	Date Filed	Date Approved
Sale/Transfer				
P-504, Sub 14	Intermedia Communications, Inc.	Application for Authority to Transfer Telecommunications Services Provided to Shared Tenant Services Customers to Cypress Communications	08/09/2002	11/14/2002
P-1027, Sub 2	Cypress Communications Operating Co., Inc.	Application to Transfer Control From Birch Telecom, Inc. Debtor in Possession to the Shareholders of Birch Telecom, Inc.	07/30/2002	08/28/2002
P-1000, Sub 2	Birch Telecom of the South, Inc.	Application to Transfer Certificate of Coastal Plains Utilities to New Hanover County (Owner Exempt) to Provide Water Utility Service in Greenview Ranches, New Hanover County	07/24/2002	08/13/2002
W-215, Sub 22	Coastal Plains	Joint Application for Expedited Authority Authorizing Legent Communications to Acquire Certain Assets of CEO Telecommunications	07/19/2002	10/07/2002
P-1150, Sub 1	Legent Communications	Petition to Transfer Certificate for The Slice Shoals Hydroelectric Station to Bullock Development Corporation	07/16/2002	07/24/2002
P-527, Sub 4	CEO Telecommunications	Petition for Approval of a Transfer of Assets to A.R.C. Networks, Inc.	07/05/2002	08/28/2002
SP-122, Sub 1	Northbrook Carolina Hydro, L.L.C.	Petition for Approval of Stock Purchase Agreement	07/02/2002	08/28/2002
SP-139, Sub 0	Bullock Development Corporation	Petition for Approval to Transfer the Certificate of Cogentrix Eastern Carolina, LLC for the Kenansville Generations Facilities to Green Power Energy Holdings, LLC	06/28/2002	08/07/2002
P-595, Sub 2	North American Communications Control, Inc.	Application to Lease Authority From R. W. Williams Moving Service	06/24/2002	07/29/2002
P-1105, Sub 1	A.R.C. Networks, Inc.	Application for Transfer of Authority for Allocation of Rental Costs to Provide Water/Sewer in Older Town Apts. at Carpenter Village, Wake County to Northwestern	06/24/2002	09/30/2002
P-763, Sub 3	Choctaw Communications, Inc.	Petition for Approval of Control and Request for Waiver of Customer Notification Requirements	06/21/2002	10/02/2002
SP-133, Sub 1	Cogentrix Eastern Carolina, LLC	Joint Petition for Approval of Customer Transfers to Broadwing Telecommunications, Inc.	06/19/2002	07/30/2002
SP-138, Sub 0	Green Power Energy Holdings, LLC	Joint Application for Authority to Transfer and Sell Assets to Worldxchange	06/19/2002	07/30/2002
T-4174, Sub 1	Coastal Carriers, Inc.	Application for Authority to Transfer Certificate and Customers to OCMC, Inc.	06/14/2002	07/30/2002
WR-92, Sub 1	Carpenter Village, LLC	Petition for Approval of SIPCO's Acquisition of Indirect Control Over U.S. Telepacific Corporation	06/05/2002	07/30/2002
WR-129, Sub 1	Northwestern Mutual Life Insurance	Application for Approval of Corporate Merger and Related Transactions With Davel Communications, Inc.	05/21/2002	07/09/2002
P-660, Sub 2	New Century Telecom, Inc.	Application to Transfer Certificate of West Wilson Water Corporation to County of Wilson (Owner Exempt) to Provide Water Utility Service in Suburban Heights in Wilson County	05/17/2002	10/23/2002
P-654, Sub 1	BellSouth Long Distance, Inc.	Application for Transfer of Water Public Utility System of White Oak West to County of Wilson	05/17/2002	10/23/2002
P-416, Sub 10	Broadwing Telecommunications, Inc.	Application for Transfer of a Water Public Utility System for Oakdale to the County of Wilson	05/17/2002	10/17/2002
P-1007, Sub 1	Worldxchange Corp.	Application to Transfer Certificate of Gallagher Trail Enterprises to Heater Util.	05/15/2002	12/03/2002
P-632, Sub 3	RSL Com USA, Inc.	Petition for Transfer of Control to Mid-State Ventures, Inc.	05/07/2002	05/28/2002
P-264, Sub 10	One Call Communications, Inc.	Application for Approval of Transfer of Control of XO Communications, Inc. and XO North Carolina, Inc. Pursuant to Corporate Restructuring Involving Issuance and Sale of New Common Stock	05/06/2002	05/28/2002
P-1198, Sub 0	OCMC Inc.	Joint Petition for Transfer of SCC Communication's Certificate to Intrado Communications, Inc.	04/22/2002	08/19/2002
P-971, Sub 2	U.S. Telepacific Corp.	Application to Transfer Certificate of Deerwood at Preston Grove to the Marquis at Preston to Provide Water and Sewer Utility Service in Marquis at Preston, Wake County	04/17/2002	11/05/2002
SC-485, Sub 6	Phonetel Technologies, Inc.	Petition for Approval of Asset Purchase Agreement Between Nuvox Communications, Inc. and LecStar Telecom, Inc.	04/16/2002	06/17/2002
W-781, Sub 31	West Wilson Water Corporation	Application for Transfer of Certificate of Authority For Legends at Preston in Wake County From Legends at Preston LLC to Equity Residential Properties	04/10/2002	05/30/2002
W-781, Sub 32	West Wilson Water Corporation			
W-781, Sub 33	West Wilson Water Corporation			
W-603, Sub 4	Gallagher Trails Enterprises, Inc.			
P-930, Sub 1	LTS of Rocky Mount, LLC			
P-732, Sub 3	XO North Carolina, Inc.			
P-890, Sub 2	XO Long Distance Services Inc.			
P-1070, Sub 1	SCC Communications Corp.			
P-1187, Sub 0	Intrado Communications, Inc.			
W-1172, Sub 0	Marquis at Preston Apartments			
W-1067, Sub 1	Deerwood at Preston			
P-914, Sub 4	LecStar Telecom, Inc.			
P-913, Sub 4	Nuvox Communications, Inc.			
WR-18, Sub 34	Equity Residential Properties			
WR-33, Sub 1	Legends at Preston, LLC			

FIGURE NO. 8-1 CONTINUED

Docket No.	Company	Transaction	Date Filed	Date Approved
Sale/Transfer				
P-581, Sub 3	NUI Telecom Inc.	Petition for Approval of Asset Purchase and Cancellation of Norcom's Certificate	04/09/2002	05/28/2002
P-803, Sub 2	Norcom, Inc.	Application for Transfer of Public Utility Franchise and for Approval of Rates From Red Tower, Inc.	04/05/2002	08/27/2002
W-1171, Sub 0	Cogdill, Inc.	Joint Application of Norstan Network Services, Inc., NetWolves Corp. and NetWolves Acquisitions, Inc. for Approval of Change of Ownership	03/20/2002	05/28/2002
W-1108, Sub 4	Red Tower, Inc.	Petition for Approval of Transfer of Certificate to Weston Telecommunications and Cancellation of Easton's Local Authority	01/15/2002	04/25/2002
P-306, Sub 2	Norstan Network Services, Inc.	Petition for Pro Forma Transfer of Control of ATX Licensing Services From Corecom Limited to Corecomm Holdco, Inc.	03/18/2002	05/28/2002
P-471, Sub 3	Easton Telecom Services, Inc.	Petition for Approval to Transfer Certificates to Progress Telecom Corporation	03/14/2002	07/17/2002
P-972, Sub 2	ATX Licensing, Inc.	Application for Transfer of Certificate to Resell Water/Sewer in Brookstone Apts., Mecklenburg Co. to New Brookstone	03/04/2002	05/10/2002
P-708, Sub 8	Caronet, Inc.	Petition for Approval of Transfer of Ultimate Control of Comcast Business Communications, Inc. From Comcast Corporation to AT&T Comcast Corp.	03/01/2002	03/20/2002
P-1175, Sub 0	Progress Telecom Corporation	Petition to Transfer Certificate From Madison River Long Distance Solutions Inc.	02/28/2002	03/20/2002
WR-138, Sub 0	New Brookstone, LLC	Joint Application for Approval of the Pro Forma Transfer of Control of KMC Data, LLC From KMC Telecom Holdings, Inc. to KMC Data Holdco LLC	02/27/2002	03/20/2002
WR-98, Sub 2	Brookstone Apartments LLC	Application to Transfer Certificate of Gallagher Trails Enterprises to Heater Utilities, Inc. to Provide Water Utility Service in Goodwill Acres, Gaston Co.	02/15/2002	12/03/2002
P-729, Sub 2	Comcast Business Communications, Inc.	Petition for Approval to Transfer Control From Current Stockholder to New Shareholder	02/15/2002	10/02/2002
P-1170, Sub 0	Mebtel Long Distance Solutions, Inc.	Petition for Approval of Indirect Transfer of Control to Fortsman Little	02/13/2002	03/20/2002
P-749, Sub 1	Madison River Long Distance Solutions	Application for Approval to Transfer Farmwood North and Stone Mountain Subdivisions - Mecklenburg County to City of Charlotte	02/08/2002	03/04/2002
P-1126, Sub 2	KMC Data, LLC	Application to Transfer Kenroy Estates to County of Wilson	01/24/2002	05/31/2002
P-989, Sub 1	KMC Telecom V, Inc.	Application for Transfer of Certificate of Authority to Resale Water/Sewer for The Apartments at Radbourne Lake in Mecklenburg County From Summit Properties	01/23/2002	05/10/2002
W-274, Sub 376	Heater Utilities, Inc.	Application for Transfer Summit Radbourne in Mecklenburg County to Crosland Radbourne, LLC	01/23/2002	05/10/2002
P-660, Sub 1	New Century Telecom, Inc.	Joint Application for Approval of Assignment of Assets	01/18/2002	04/04/2002
P-617, Sub 3	McLeod USA Telecommunications Services Inc.	Petition for Authority to Acquire Certain Assets of Easton Telecom Services Inc.	01/15/2002	04/25/2002
W-274, Sub 379	Heater Utilities, Inc.	Application to Transfer Certificate for Mayo Hydropower Project in Mayodan From H & H Properties	12/21/2001	01/31/2002
W-631, Sub 4	Davis, Roy and Virginia	Petition to Transfer Certificate for Avalon Hydropower Project Near Mayodan From Avalon Hydro	12/21/2001	01/31/2002
WR-134, Sub 0	Crosland Radbourne, LLC	Petition for Corporate Reorganization of T-America and Montana Power Co.	12/19/2001	01/25/2002
WR-135, Sub 0	Crosland Arbors, LLC	Petition for Approval of Internal Corporate Restructuring of Grande Communications, Inc. and Grande Communications Holding Inc.	11/21/2001	01/25/2002
WR-6, Sub 26	Summit Properties Partnership, L.P.; Summit Properties, Inc., dba	Application for Approval of Transfer of Control to British Telecommunications	11/15/2001	01/25/2002
WR-6, Sub 27	Winstar Wireless, Inc.	Application for Authority to Transfer Control to Ironwood Telecom Inc.	11/31/2001	01/25/2002
P-783, Sub 3	Weston Communications, LLC	Petition to Transfer Customer Base to Univance Telecommunications	11/01/2001	10/23/2002
P-1155, Sub 1	Mayo Hydropower, LLC			
SP-137, Sub 0	Mayo Hydropower, LLC			
SP-137, Sub 1	Mayo Hydropower, LLC			
P-1062, Sub 1	Touch America, Inc.			
P-978, Sub 1	Grande Communications Networks, Inc.			
P-837, Sub 3	Concert Communications Sales LLC			
P-423, Sub 2	Incomnet Communications Corporation			
P-588, Sub 2	Intercontinental Communications Group Inc.			
P-612, Sub 2	Univance Telecommunications, Inc.			



IX. The Transportation Industry – Motor Freight Carriers

MOTOR FREIGHT CARRIERS

A. CLASSIFICATION OF MOTOR FREIGHT CARRIERS

Motor freight carriers are divided into three groups according to annual operating revenues. Effective January 1, 1994, the ICC eliminated the Uniform System of Accounts for common and contract motor carriers of property. This revised the classification threshold levels for Classes I, II, and III motor carriers. These levels are as follows: carriers having annual carrier operating revenues of \$10 million or more are Class I carriers. Class II carriers have annual carrier operating revenues of at least \$3 million but less than \$10 million. Carriers having annual carrier operating revenues of less than \$3 million are considered Class III carriers. This revision is intended to reduce regulatory and accounting burdens on the motor carrier industry.

All household goods movers that have certificates to operate in North Carolina are required to file an annual report with the North Carolina Utilities Commission. Failure to file this report could be grounds for the cancellation of their certificates by the Commission. Enforcement and compliance with the filing of annual reports on a timely basis requires a continuing effort by Commission personnel. On December 31, 2002, there were 201 household goods movers with certificates to operate in North Carolina. There were 172 annual reports filed with the North Carolina Utilities Commission for the year ended December 31, 2002.

B. DUTIES OF THE OPERATIONS DIVISION, TRANSPORTATION SECTION (See Part E for Current Legislative Action)

The Commission Staff Transportation Division is responsible for the administration of motor freight carriers of household goods operating within the borders of North Carolina. Authority for this activity is found in North Carolina General Statute Article 12 - Sections G.S. 62-259 through 289 and Commission Orders in Docket No. T-100, Sub 49. All applications for certificates of exemption, transfers of existing certificates, and cancellations of certificates are handled through this Division.

The Public Staff Transportation Rates Division has the responsibility for maintaining and reviewing annual reports of all household goods movers and auditing records and freight bills.

The Public Staff offers technical assistance to the Commission and the general public in dealing with transportation matters, including damage claims.

C. COMMISSION ACTIVITIES

During 2002 a total of 9, or approximately 9% of the 101 formal hearings were related to the trucking industry; for 2001 the number of hearings for the trucking industry was 12 or approximately 11% of the 109 formal hearings. An amendment to the Public Utilities Act provides that if no protests are filed in opposition to the truck application, the hearing may be canceled with the matter decided on sworn shipper affidavits. The majority of truck applications are decided in this manner. The Commission sometimes settles tariff filings and other filings based on Public Staff and Commission Staff studies and recommendations presented at Monday morning conference sessions.

D. SUMMARY OF OPERATING DATA

A list of the household goods movers with selected operating financial data is shown in Figure No. 9-1. There were no general rate increases approved for motor freight carriers in 2002. It should be noted that the operating revenues for North Carolina are from freight moved on intrastate tariffs regulated by the North Carolina Utilities Commission only; therefore, they account for a very small percentage of the total revenues generated by this group of carriers.

There were 190 Class III motor carriers, active and inactive, required to file 2002 annual reports with the North Carolina Utilities Commission. Often useful data for many of the Class III carriers is not available and in many instances is nonexistent. Therefore, discretion should be exercised in using Class III data for comparative purposes.

E. LEGISLATIVE ACTION

As of January 1, 1995 the ICC (Interstate Commerce Commission) preempted states over jurisdiction of the trucking industry. The North Carolina Utilities Commission has jurisdiction over Household Goods Movers only and; therefore, requires annual reports be filed by those transporters.

FIGURE NO. 9-1

Household Goods Movers - All Classes
Calendar Years 2002 and 2001
(Dollars in 000s)

CLASS I	TOTAL COMPANY DATA										NORTH CAROLINIA							
	Revenues				Expenses				Net Operating Income		Operating Ratios		Average Number of Employees		Total Salaries Paid			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001		
HOUSEHOLD GOODS MOVERS																		
	Burnham Service Company, Inc.	\$1	\$2	\$1,888	\$2,012	\$1,312	\$1,750	\$356	\$262	78.7%	87.0%	0	1	\$0	\$0	\$0		
	M. M. Smith Storage Warehouse Inc.	39	53	1,680	2,062	1,900	2,360	(240)	(298)	114.5%	114.5%	38	49	955	1,070	0		
	Stevens Van Lines, Inc.	33	89	38,711	39,633	37,148	38,361	1,563	1,272	96.0%	96.8%	0	0	0	0	0		
	Tru-Pak Moving Systems, Inc.	174	198	3,857	3,416	3,756	3,392	101	24	97.4%	99.3%	4	5	133	170	0		
TOTAL (4)	\$247	\$342	\$45,896	\$47,123	\$44,118	\$45,863	\$1,780	\$1,260	98.1%	97.3%	42	55	1,088	1,240	0	0		
CLASS II																		
	Airway Moving & Storage	\$107	\$162	\$2,312	\$2,604	\$1,974	\$2,228	\$338	\$376	85.4%	85.6%	23	26	\$639	\$708	0		
	All American Moving & Storage, Inc.	N/R	282	N/R	5,594	N/R	5,440	N/COMP	154	N/COMP	97.2%	N/R	53	N/R	1,670	0		
	City Transfer and Storage	494	644	4,753	5,916	5,237	5,894	(484)	22	110.2%	99.6%	87	85	2,138	2,626	0		
	Nilson Van & Storage	0	4	9,876	11,280	10,271	11,238	(395)	42	104.0%	99.6%	20	20	370	393	0		
CLASS III																		
	North American Van Lines	0	182	582	645	570	645	12	0	97.9%	100.0%	7	7	214	395	0		
	Paxton Van Lines, Inc.	254	359	5,058	4,958	4,476	4,869	580	89	88.5%	98.2%	62	35	1,442	1,945	0		
	Union Transfer & Storage Co.	213	251	1,918	1,887	1,960	1,845	(42)	22	102.2%	98.8%	13	15	680	715	0		
	TOTAL (7)	\$1,068	\$1,844	\$24,497	\$32,864	\$24,488	\$32,159	\$9	\$705	100.0%	97.9%	192	241	5,483	8,460	0		
CLASS III																		
	A-1 Movers, Jeffrey A. Buchanan, d/b/a	\$3	\$12	\$179	\$155	\$139	\$65	\$40	\$90	77.7%	41.9%	4	4	\$45	\$51	0		
	A-1 Quality Moving Company	33	75	225	220	246	216	(21)	4	109.3%	98.2%	1	3	19	148	0		
	A & A Moving	0	0	43	48	34	42	9	4	78.1%	91.3%	0	0	0	0	0		
	AAA Moving	18	19	82	84	35	32	47	52	42.7%	38.1%	1	1	11	14	0		
	AAA Moving & Storage, Inc.	81	105	523	687	437	632	88	35	83.6%	94.8%	6	6	75	92	0		
	AAA Storage Company, Inc.	19	22	357	384	350	374	7	10	98.0%	97.4%	8	12	172	186	0		
	ABC Moving and Storage, Inc.	250	430	1,644	1,870	1,432	1,544	212	328	87.1%	82.6%	25	25	276	535	0		
	Abemathy Transfer & Storage	0	0	0	0	0	0	0	0	N/COMP	N/COMP	2	0	28	0	0		
	Accredited Relocation Systems, Inc.	0	0	354	224	286	181	68	43	80.8%	80.8%	1	4	34	73	0		
	Ace Moving & Storage Co.	28	68	224	253	215	244	9	9	96.0%	96.4%	5	7	136	120	0		
	Action Moving and Storage of North Carolina	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R	0		
	Acme Movers & Storage Company	123	123	N/R	1,449	N/R	1,399	N/COMP	50	N/COMP	96.5%	N/R	19	N/R	725	N/R	0	
	Adkins Transfer, Inc.	N/R	0	N/R	N/R	N/R	N/R	N/COMP	0	N/COMP	100.0%	N/R	0	N/R	0	N/R	0	
	Advance Moving and Storage	N/R	0	N/R	N/R	N/R	N/R	N/COMP	0	N/COMP	N/COMP	N/R	0	N/R	0	N/R	0	
	Advanced Delivery Systems, Inc.	0	0	0	0	0	0	0	0	0	N/COMP	N/COMP	7	7	164	N/A	0	
	Advanced Installation Services, Inc.	0	0	0	0	0	0	0	0	0	N/COMP	N/COMP	6	4	60	64	0	
	Advantage Moving & Storage, Inc.	1	4	383	505	435	464	(52)	41	113.6%	91.9%	0	1	0	9	0	0	
	All American Movers of Goldsboro	0	0	64	78	81	94	(17)	(18)	128.6%	123.7%	0	1	0	9	0	0	
	All American Relocation, Inc.	392	N/R	6,891	N/R	6,854	N/R	37	N/R	99.5%	N/COMP	56	N/R	2,114	N/R	56	N/R	
	All My Sons Moving & Storage (Bournias Inc.)	222	339	2,464	2,826	1,530	1,610	934	1,016	62.1%	61.3%	29	24	744	717	29	24	
	All My Sons Moving & Storage (SG of Raleigh)	308	294	2,037	1,940	1,213	1,155	824	785	59.5%	59.5%	N/A	N/A	613	582	N/A	N/A	
	All States Moving and Storage Co.	1	8	348	341	338	352	12	(11)	98.6%	103.2%	9	10	181	185	9	10	
	Allen's Moving Services of Fayetteville	0	8	128	144	126	170	2	(26)	98.4%	118.1%	2	0	20	0	2	0	
	Al's Delivery Service	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R	N/R	N/R	
	American Moving Systems	1	2	22	100	16	47	6	53	72.7%	47.0%	2	0	8	0	2	0	
	American Star Enterprises	0	0	5	37	5	35	0	2	100.0%	94.6%	N/A	1	N/A	6	N/A	6	
	Anderson, Andy, Moving Company	10	21	224	208	160	172	64	36	71.4%	82.7%	3	4	53	58	3	4	
	Anthony Moving and Storage	N/R	84	N/R	2,862	N/R	1,822	N/COMP	1,040	N/COMP	63.7%	N/R	32	N/R	281	N/R	32	N/R
	Ark Moving & Storage, Inc.	46	55	815	967	858	956	(43)	11	105.3%	98.9%	3	4	157	146	3	4	
Armstrong Relocation Co., Inc.	253	273	8,259	8,011	8,561	8,435	(302)	(424)	103.7%	105.3%	32	37	1,366	1,377	32	37		
Armstrong Relocation Co., Inc. - Raleigh, NC	257	425	3,760	4,618	3,807	4,554	(47)	62	101.3%	98.7%	19	20	758	863	19	20		
Arpin, Paul, Van Lines, Inc.	72	122	101,335	112,394	100,970	111,937	365	457	99.6%	99.6%	1	0	31	0	1	0		
Asheville Transfer and Storage	N/R	118	N/R	1,300	N/R	1,280	N/COMP	20	N/COMP	98.5%	N/R	20	N/R	568	N/R	20	N/R	
Associated Specialties	0	0	1,931	1,226	1,755	1,163	176	63	90.9%	94.9%	36	N/A	967	N/A	36	N/A		
Barber's Moving and Storage	51	0	113	130	109	139	4	(9)	96.5%	106.9%	3	4	36	65	3	4		
Barnes and Barnes - CMS	33	N/R	33	N/R	22	N/R	11	N/COMP	66.7%	N/COMP	0	N/R	0	N/R	0	N/R		
Jack Bartlett Moving	29	34	201	183	185	135	16	48	92.0%	73.8%	6	9	102	85	6	9		
Beitmann Group, Inc.	52	38	89,156	99,772	88,154	99,293	2	479	100.0%	99.5%	20	29	911	1,300	20	29		
Berger Charlotte, Inc.	430	199	3,790	2,822	3,813	2,801	(23)	21	100.8%	99.3%	18	18	713	392	18	18		
Betts Household Moving Service	N/R	3	N/R	3	N/R	3	N/COMP	N/COMP	N/COMP	100.0%	N/R	0	N/R	0	N/R	0	N/R	
Bozovich Movers	0	0	0	0	0	0	0	0	N/COMP	N/COMP	0	0	0	0	0	0		
Brevard Moving and Storage Co.	17	115	503	511	510	521	(7)	(10)	101.4%	102.0%	3	2	71	47	3	2		

Household Goods Movers - All Classes
Calendar Years 2002 and 2001
(Dollars in 000s)

CLASS III	TOTAL COMPANY DATA						NORTH CAROLINIA	
	Regulated Revenues		Revenues		Expenses		Net Operating Income	
	2002	2001	2002	2001	2002	2001	2002	2001
HOUSEHOLD GOODS MOVERS	NORTH CAROLINIA		Operating Ratios		Average Number of Employees		Total Salaries Paid	
	2002	2001	2002	2001	2002	2001	2002	2001
Bright's Transfer, Moving & Storage	\$23	\$26	\$92	\$74	\$30	\$19	\$55	\$0
Brodie's Moving Service	4	40	293	162	384	211	(49)	18
Brooks and Broadwell Realty	0	0	0	0	0	0	0	0
Brown, Toby M, Transportation	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/R
Cadillac Moving Services	39	82	318	132	292	129	3	2
Campbell's Transfer & Storage	5	N/R	78	N/R	34	N/R	N/R	0
Cape Fear Moving Systems	N/R	14	N/R	61	N/R	53	8	0
Cardinal Moving & Storage	193	254	4,140	2,391	4,138	2,072	4	319
Carey Moving & Storage of Asheville, Inc.	135	N/R	1,240	N/R	1,185	N/R	55	N/COMP
Carolina Moving & Storage	54	94	551	715	674	790	(123)	(75)
Central Moving & Storage	5	N/R	23	N/R	17	N/R	6	N/COMP
Charlotte Metro Moving & Storage	53	58	1,346	1,346	1,133	510	213	37.9%
Charlotte Van and Storage Co., Inc.	207	120	3,808	3,866	3,756	3,848	52	37
China Grove & Landis Moving	35	1	83	87	82	51	1	3
City Transfer & Storage of Fayetteville	0	0	0	0	0	0	0	0
Citywide Moving Systems, Inc.	103	56	1,389	1,260	1,384	1,282	5	31
Classic Moving and Storage, Inc.	N/R	2,925	N/R	18,589	N/R	18,557	N/COMP	N/R
Coastal Moving Company, Inc.	0	0	1,241	0	1,418	0	(177)	18
Covan World-Wide Moving, Inc.	4	35	1,755	1,982	1,574	1,773	181	30
Croft & Smith Storage Warehouse	469	905	1,390	2,296	1,771	2,182	(391)	8
Crown Moving & Storage	26	39	441	490	389	445	52	8
Custom Moving and Storage, Inc.	0	0	756	975	742	540	14	13
Dawson-Joyce Moving & Storage	0	0	229	248	243	248	(14)	7
A. V. Dedmon Trucking	1	1	1,974	1,959	1,890	1,843	84	22
DeHaven's Transfer & Storage of Greensboro	109	76	1,034	1,063	937	1,020	97	23
DeHaven's Transfer & Storage, Inc.	74	56	2,206	2,310	2,163	2,192	43	95
DeHaven's Transfer & Storage of Raleigh	12	68	512	489	678	848	(186)	22
DeHaven's Transfer & Storage of Wilson	0	28	117	76	66	N/A	51	0
Delancey Street Moving & Transportation	43	67	428	410	94	108	334	0
Dunnagan's Moving & Storage	14	12	82	94	77	89	5	3
Eastern Moving and Storage	130	74	811	827	748	928	63	37
Easy Movers	85	78	1,172	973	1,133	888	39	41
Excel Moving and Storage	85	126	3,354	851	3,287	358	87	13
Excel Direct Inc.	N/R	423	N/R	145,722	N/R	138,826	N/COMP	N/R
Fayetteville Moving & Storage	41	48	3,703	2,731	3,889	2,482	14	83
Fidelity Moving & Storage	62	47	1,325	1,337	1,387	1,234	(42)	30
First Choice Moving & Storage, Inc.	0	0	57	9	33	5	24	N/A
First Movers	0	N/R	32	N/R	23	N/R	9	1
Fleming-Shaw Transfer and Storage	5	14	1,133	1,099	1,159	1,134	(26)	28
Fox Brothers of Boone	115	148	397	425	359	392	38	4
G & R Moving	68	68	188	188	151	17	17	3
Gasperson Transfer, Inc.	118	130	1,340	1,352	1,359	1,349	(19)	31
Gilbert Trucking Company	42	40	97	107	88	79	11	0
Goldsboro Van & Storage	12	16	326	318	314	308	12	8
Grady's Moving & Delivery Service	39	48	264	318	278	313	(14)	4
Graebel/North Carolina Movers	811	829	8,105	8,992	7,610	8,241	495	32
Hall's Transfer	N/R	15	N/R	58	N/R	27	N/COMP	N/R

FIGURE NO. 9-1 CONTINUED

Household Goods Movers - All Classes
Calendar Years 2002 and 2001
(Dollars in 000s)

CLASS III	TOTAL COMPANY DATA										NORTH CAROLINA			
	Regulated Revenues		Revenues		Expenses		Net Operating Income		Operating Ratios		Average Number of Employees		Total Salaries Paid	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
HOUSEHOLD GOODS MOVERS														
Hardy Moving & Storage	\$14	\$24	\$645	\$589	\$420	\$591	\$225	(\$2)	65.1%	100.3%	15	12	\$226	\$246
Harvel's, Cliff, Moving Company	35	20	\$196	\$173	196	195	0	(22)	100.0%	112.7%	5	4	92	93
Highland Moving and Storage Inc.	1	0	171	216	192	212	(21)	6	112.3%	97.2%	5	6	74	94
Hilli, I. H., Transfer and Storage	0	0	13	21	13	18	0	3	100.0%	85.7%	1	1	2	2
Hillrup Transfer & Storage	820	1,090	52,590	51,985	50,468	50,067	2,122	1,918	96.0%	96.3%	64	64	2,396	2,417
Holland Transfer Company	36	67	6,320	5,771	2,762	5,343	3,538	428	44.0%	92.6%	48	41	1,222	1,199
Holloway Moving and Storage	0	0	652	549	794	537	58	12	93.2%	97.6%	11	10	239	202
Home to Home Moving, Pickup, & Delivery, Inc.	N/R	0	N/R	16	N/R	10	N/COMP	6	N/COMP	62.5%	26	0	885	0
Home Moving Systems, Inc.	411	473	5,327	5,763	5,096	5,630	231	153	95.7%	97.4%	26	26	885	862
Humphrey, David Charles	N/R	0	N/R	0	N/R	0	N/COMP	0	N/COMP	N/COMP	N/R	0	N/R	0
Humphrey, Troy Moving & Storage	7	0	1,314	1,041	1,191	951	123	90	90.6%	91.4%	33	N/A	396	344
Independent Transfer, Inc.	5	36	132	160	137	155	(5)	5	103.6%	96.9%	2	3	68	72
International Moving & Storage, Inc.	0	2	646	675	645	593	3	62	99.5%	87.9%	7	6	26	94
Jackson Moving and Storage Co.	297	297	1,145	1,442	1,090	1,387	55	55	95.2%	96.2%	20	24	471	481
Jiffy Moving & Storage Co.	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R
Joe's Moving & Hauling	0	0	0	0	0	0	0	0	N/COMP	N/COMP	0	0	0	0
John's Moving Service	116	129	609	671	706	555	103	116	87.3%	62.7%	12	11	327	283
Keever Moving Service	50	60	50	60	36	28	14	32	72.0%	46.7%	0	N/A	0	N/A
Kepley Moving and Storage	12	25	91	134	103	116	(12)	18	113.2%	86.6%	3	5	53	57
Klink Transfer and Storage	26	9	95	128	156	140	(63)	(14)	166.3%	111.1%	2	N/A	25	N/A
Ladd, J.E. & Son Transfer	1	2	76	70	45	40	33	30	57.7%	57.1%	2	2	22	19
Lafayette Moving & Storage, Inc.	0	1	156	94	144	116	12	(22)	92.3%	123.4%	2	0	24	0
Lawrence Transportation Systems, Inc.	371	476	38,350	37,510	37,116	36,221	1,232	1,289	96.8%	96.6%	62	157	2,242	2,959
Lentz Transfer & Storage Co.	961	446	4,469	3,959	4,456	3,889	13	70	99.7%	98.2%	42	43	1,581	1,469
Long Transfer	19	13	574	644	496	539	76	105	66.4%	83.7%	4	5	174	441
Lyttles Transfer & Storage, Inc.	77	108	6,010	N/A	5,585	N/A	425	N/A	92.9%	N/COMP	0	N/A	0	N/A
Mangum Moving & Storage	33	31	174	150	252	140	(78)	10	144.6%	93.3%	3	2	94	50
Markethouse Moving and Storage	0	0	161	66	156	64	3	22	98.1%	74.4%	2	0	28	0
Martin Transfer & Storage Co.	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R
Matthews Moving Systems	196	194	3,564	3,463	3,524	3,641	40	(176)	98.9%	105.1%	52	50	1,408	1,330
McCauley Moving & Storage of Fayetteville	0	51	661	641	850	706	11	(65)	98.7%	110.1%	61	25	418	374
McCollister's Transportation Systems, Inc.	N/R	3,441	2,614	11,659	N/R	11,294	N/COMP	565	N/COMP	95.2%	N/R	139	N/R	4,594
Merchants Moving & Storage	0	3	674	3,747	2,514	3,596	300	149	89.3%	96.0%	25	22	471	542
Miracle Movers	215	6	3,726	604	599	520	75	64	86.9%	86.1%	2	2	56	52
Mitchell Brothers Moving	226	370	1,043	3,497	3,716	3,054	8	443	99.6%	87.3%	43	49	1,163	1,054
Modem Moving and Storage	0	0	0	917	1,009	663	34	54	96.7%	94.1%	20	20	423	411
Morehead Moving & Storage	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R
Move Makers, Inc. (The)	34	N/R	421	N/R	410	N/R	11	N/COMP	97.4%	N/COMP	1	N/R	21	N/R
Movin' on Movers, Inc.	226	190	N/A	1,668	N/A	1,495	N/COMP	193	N/COMP	86.6%	23	22	576	472
Moving Store, Inc. (The)	N/R	40	N/R	849	N/R	642	N/COMP	7	N/COMP	99.2%	N/R	3	N/R	71
Murray Transfer & Storage Co.	61	66	345	335	340	372	5	(37)	96.6%	111.0%	3	0	138	0
Nelson's Delivery Service	53	31	2,772	2,696	2,921	2,946	(149)	(50)	105.4%	101.7%	31	26	872	1,033
New Hanover Moving & Storage	0	16	322	52	257	64	65	(12)	79.6%	123.1%	3	2	63	22
On the Move Moving Co.	3	N/R	34	N/R	34	N/R	0	N/COMP	100.0%	N/COMP	2	N/R	11	N/R
Owens, W. W. & Sons Moving & Storage	19	N/R	163	N/R	220	N/R	(57)	N/COMP	135.0%	N/COMP	2	N/R	66	N/R
Patterson Storage Warehouse Co.	30	17	169	5	264	13	(75)	(6)	139.7%	280.0%	13	53	229	268
Piedmont Van and Storage	15	34	1,605	1,746	1,551	1,710	54	36	96.6%	97.9%	26	28	563	547
Pilot Van Lines, Inc.	23	33	552	640	544	656	6	(16)	98.6%	102.5%	7	6	221	270
Port City Transfer and Storage	0	1	95	136	95	114	0	22	100.0%	63.6%	N/A	N/A	N/A	N/A
Prestige Professional Moving & Storage, Inc.	11	56	74	73	38	36	36	35	51.4%	52.1%	0	2	0	0
Raleigh Bonded Warehouse, Inc.	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R
Ray Moving & Storage	75	63	1,339	459	1,419	505	(80)	(46)	106.0%	110.0%	2	35	61	1,079
	349	374	2,266	2,843	2,379	2,961	(113)	(136)	105.0%	104.9%	37	41	973	1,209

FIGURE NO. 9-1 CONTINUED

Household Goods Movers - All Classes
Calendar Years 2002 and 2001
(Dollars in 000s)

CLASS III	TOTAL COMPANY DATA										NORTH CAROLINIA				
	Regulated Revenues		Revenues		Expenses		Net Operating Income		Operating Ratios		Average Number of Employees		Total Salaries Paid		
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
HOUSEHOLD GOODS MOVERS															
Reliable Van & Storage, Inc.	\$27	\$15	\$411	\$574	\$443	\$568	(\$32)	\$8	107.8%	99.0%	20	13	\$156	\$375	
Salisbury Moving and Storage	148	183	1,208	1,081	967	851	239	230	80.2%	78.7%	7	9	193	257	
Sandhills Moving & Storage Co.	57	81	1,325	1,176	1,156	1,019	169	157	67.2%	86.6%	19	18	366	378	
Seaboard Moving & Storage	0	0	230	143	232	108	(2)	35	100.9%	75.5%	N/A	N/A	N/A	N/A	
Security Storage Company, Inc.	291	373	5,439	8,106	5,661	7,659	(222)	447	104.1%	94.5%	42	46	1,094	1,073	
Security Storage Company of Charlotte, Inc.	96	125	1,091	1,152	1,473	1,595	(382)	(443)	135.0%	138.5%	21	67	588	595	
Security Storage Company of Raleigh, Inc.	182	158	2,139	2,591	2,520	3,121	(381)	(530)	117.8%	120.5%	22	55	588	810	
Sells Service	52	45	534	498	705	571	(171)	(73)	132.0%	114.7%	10	11	183	178	
Service Moving and Storage Co., Inc.	16	5	1,071	9	972	1,023	99	(1,014)	90.8%	N/COMP	11	11	285	269	
Sheets Transfer & Storage Co., Inc.	234	N/R	985	N/R	1,038	N/R	(53)	N/R	105.4%	N/COMP	13	N/R	450	N/R	
Smith Dray Line & Storage Co.	168	204	1,428	1,617	1,323	1,531	105	88	92.6%	94.7%	20	32	528	883	
Smith, W.E., Moving Company	3	0	126	0	139	0	(13)	0	110.3%	N/COMP	6	4	83	73	
Smoky Mountain Moving Company	56	51	146	167	130	152	18	15	89.0%	91.0%	3	3	87	79	
Staley's Moving Vans	43	43	43	43	34	35	8	8	78.1%	81.4%	0	0	15	15	
Standard Moving & Storage, Inc.	2	2	110	155	142	154	(32)	1	129.1%	99.4%	0	2	0	18	
Stanley's Transfer Co., Inc.	0	19	1,043	2,418	987	2,373	56	45	94.6%	98.1%	6	15	133	256	
State Moving and Storage Inc.	0	0	471	426	469	446	2	(20)	99.6%	104.7%	11	10	67	318	
Stegall, T.G., Trucking Co.	0	0	5,458	3,662	5,280	3,498	178	164	96.7%	95.5%	40	33	910	747	
Superior Moving Systems, Inc.	5	N/R	406	N/R	421	N/R	(15)	N/R	103.7%	N/R	5	N/R	117	N/R	
Tar Heel Reliable Movers, Inc.	N/R	N/R	259	N/R	283	N/R	(24)	0	108.3%	N/COMP	6	N/R	120	N/R	
Tarheel Moving and Storage	110	N/R	1,127	1,768	1,108	1,370	19	398	96.3%	77.5%	18	20	385	449	
Terminal Storage Co., Inc.	88	112	392	386	375	352	17	34	95.7%	91.2%	11	6	275	211	
Thomas Transfer, Inc.	0	0	151	N/R	126	N/R	25	N/R	83.4%	N/COMP	N/A	N/R	N/A	N/R	
Todd's Easy Moves	6	N/R	383	365	360	340	23	25	94.0%	93.2%	8	7	137	130	
Triangle Moving Service	56	78	2,196	2,052	2,335	2,067	(139)	(15)	106.3%	100.7%	64	38	948	848	
Tri-City Moving and Storage	232	209	1,523	1,513	384	511	18	18	52.9%	70.4%	N/A	N/A	N/A	N/A	
Triple A Moving & Storage, Inc.	34	54	863	848	884	831	(21)	1,002	25.2%	33.8%	4	4	90	88	
TROSA Moving	128	132	37	174	23	171	14	3	82.2%	98.0%	10	15	402	471	
Truckin' Movers Corporation	60	70	863	848	884	831	(21)	17	102.4%	98.0%	5	5	94	86	
Tryon Moving & Storage, Inc.	9	8	N/R	275	N/R	258	N/COMP	17	N/COMP	93.8%	N/R	10	N/R	53	53
Two Men and a Truck (Moving Gang, LLC)	N/R	63	N/R	1,458	1,480	1,539	(79)	(83)	105.7%	105.7%	30	38	822	884	
Two Men and a Truck (Soaring Eagle)	338	291	1,381	1,456	1,480	1,539	(79)	(83)	105.7%	105.7%	30	38	822	884	
Two Men and a Truck (SOKO, Inc.)	128	141	1,309	1,279	1,208	1,217	101	82	92.3%	95.2%	25	25	466	867	
Two Men and a Truck of Charlotte/Durham	350	219	3,237	2,311	3,278	2,123	(41)	188	101.3%	91.9%	60	55	1,282	728	
Two Men and a Truck of Wilmington	101	109	806	808	857	770	(51)	38	106.3%	95.3%	14	16	301	328	
Umstead Brothers, Inc.	0	40	45	40	46	44	(1)	(4)	102.2%	110.0%	7	5	13	15	
US-1 Van Lines of North Carolina, Inc.	20	N/R	52	N/R	91	N/R	(39)	N/COMP	175.0%	N/COMP	0	N/COMP	20	N/COMP	
Wainwright Trans. Co. of Fayetteville	0	54	225	259	228	233	(3)	26	101.3%	90.0%	20	11	186	115	
Warehouse Services Moving & Storage	N/R	N/R	N/R	N/R	N/R	N/R	N/COMP	N/COMP	N/COMP	N/COMP	N/R	N/R	N/R	N/R	
Wayne Moving & Storage Company of NC	N/R	107	N/R	1,813	N/R	455	N/COMP	1,358	N/COMP	25.1%	N/R	8	N/R	120	120
Weathers Brothers Moving & Storage Co., Inc.	5	N/R	5	N/R	5	N/R	0	N/COMP	100.0%	N/COMP	0	N/COMP	0	N/COMP	
Weathers Bros. Transfer Co., Inc.	N/R	0	N/R	0	N/R	0	N/COMP	0	N/COMP	N/COMP	N/R	0	N/R	0	0
Weathers Bros. Transfer Co. of N.C., Inc.	N/R	18	N/R	2,298	N/R	2,262	N/COMP	36	N/COMP	98.4%	N/R	48	N/R	983	983
West's Durham Transfer & Storage	94	85	1,037	1,102	833	858	204	444	80.3%	59.7%	23	29	325	411	
Wile Transfer and Storage Company, Inc.	353	396	625	657	575	572	50	85	92.0%	87.1%	4	3	115	90	
Williams, R.M., Moving Service	0	37	0	58	0	67	0	(11)	N/COMP	119.6%	0	2	0	18	18
Willis Moving and Storage Inc.	0	0	289	310	281	310	8	0	97.2%	100.0%	N/A	N/A	N/A	N/A	
Yarbrough Transfer Company	0	0	7	7	7	7	0	0	100.0%	100.0%	88	67	1,992	1,812	
TOTAL (190)	\$20,135	\$27,852	\$462,587	\$650,192	\$450,085	\$828,803	\$12,502	\$23,389	97.3%	96.4%	8,383	8,789	\$60,888	\$75,512	
GRAND TOTAL - ALL CLASSES (201)	\$21,450	\$30,038	\$532,980	\$730,179	\$518,689	\$704,825	\$14,291	\$25,354	97.3%	96.5%	9,817	9,085	\$67,457	\$85,212	

N/R - No Report Filed
N/A - Not Available



X. The Transportation Industry – Motor Passenger Carriers

MOTOR PASSENGER CARRIERS

A. GENERAL COMMENTS

1. REGULATED PRIVATELY OWNED SECTORS

For the purpose of filing annual reports, both the Federal Motor Carrier Safety Administration (FMCSA) (formerly the Interstate Commerce Commission) and the North Carolina Utilities Commission (NCUC) authorized the following classifications effective January 1, 1980, for the motor passenger carriers:

CLASSIFICATION REQUIREMENTS:

Class I	\$3,000,000 or more annual operating revenues
Class II	\$500,000--\$3,000,000 annual operating revenues
Class III	Under \$500,000 annual operating revenues

As of December 31, 2002, there were 55 motor passenger carriers franchised to operate under the regulation of the North Carolina Utilities Commission. See Figure No. 10-1 for a list of the companies. These companies include 35 transportation brokers, 13 motor boat (ferry) passenger carriers, and seven motor passenger carriers. Transportation brokers, as herein used, means any person not a bona fide employee or agent of a motor carrier who engages in the business of selling or offering for sale any transportation of passengers by motor carriers for compensation, either directly or indirectly. A transportation broker does not own or operate the vehicles used to transport passengers to whom he sells or arranges for this type of service. The 35 brokers involved in this report are not required to file an annual report, therefore, there is no operating data shown in this report. Operating data is included for the nineteen motor passenger carriers who filed 2002 annual reports with the Commission.

2. NONREGULATED PUBLICLY OWNED SECTOR

The North Carolina Utilities Commission has no jurisdiction over most of the passenger transit systems serving the intracity traffic and the urban and rural areas. However, these systems are providing transportation to large numbers of intracity passengers as shown by the following ridership figures:

Nonregulated Intracity Ridership

Calendar Year	Passengers
1987	21,901,872*
1988	23,141,608*
1989	26,805,589*
1990	28,701,649*
1991	29,034,086*
1992	31,091,895*
1993	35,199,693*
1994	32,080,990**
1995	32,903,417**
1996	31,637,059**
1997	30,797,848**
1998	31,805,847**
1999	33,230,214**
2000	34,017,416**
2001	37,257,852**
2002	38,923,620**

Since July 1, 1974, there has been a Public Transportation Division (PTD) within the Department of Transportation. The PTD administers several federal grant programs and a state grant program as well as fostering the development of the public transportation system of North Carolina. For further information on this agency's activities, please contact the N. C. Department of Transportation, P. O. Box 25201, Raleigh, North Carolina 27602.

*Source: Public Transportation Division--North Carolina Department of Public Transportation: Systems included in the data are Asheville, Chapel Hill, Charlotte, Durham, Fayetteville, Gastonia, Greensboro, Greenville, High Point, Raleigh, Salisbury, Wilmington, Wilson, and Winston-Salem.

**Source: Operating Statistics of Public Transportation Division including Hickory and

Rocky Mount as well as cities listed in previous footnote. (1994) Fiscal Year July 1993-June 1994 Urban and regional fixed route transit systems. Following years on fiscal year basis.

B. REGULAR ROUTE PASSENGER CARRIERS

Financial and statistical data is presented for the six regulated regular route passenger carriers having separate operations during 2002 who filed annual reports with the North Carolina Utilities Commission. The carriers have franchise and operating rights to serve two or more points (from one city to another city) and are further classed and operate as common carriers over intrastate routes as regulated by the Commission.

C. FARE INCREASES AUTHORIZED--INTERCITY

The FMCSA basically regulates the rate level of regular route bus fares. The Commission does receive tariff sheets for these companies as notification of rate changes.

D. PREEMPTION OF REGULATION OVER MOTOR CARRIERS OF PASSENGERS IN CHARTER BUS TRANSPORTATION

In June 1998, Federal legislation was enacted which preempted the economic regulation of charter bus transportation on an intrastate and interstate basis. In summary the legislation allows a state to continue safety regulatory authority with respect to motor vehicles and to continue to regulate carriers with regard to minimum amounts of financial responsibility relating to insurance requirements and self-insurance authorization. Preemption also does not apply to intrastate commuter bus operations nor does it apply to intrastate regular route passenger transportation. The certificates issued to charter bus transportation companies were canceled by Commission Order dated September 9, 1998.

REGULAR ROUTE PASSENGER CARRIERS REGULATED BY THE COMMISSION AS OF DECEMBER 31, 2002

American Charters, Ltd. 1613 East Ozark Avenue Gastonia, North Carolina 28052	B-366
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Carolina American Tours McGill, Inc., d/b/a P. O. Box 5358 Greensboro, North Carolina 27403	B-3
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Carolina Charters of Vale, Inc. Route One, Box 146 Vale, North Carolina 28168	B-525
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Carolina Coach Company P. O. Box 28088 Raleigh, North Carolina 27611	B-15
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Greyhound Lines, Inc. 901 Main Street, Suite 2500 Dallas, Texas 75202	B-7
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The Greenleaf Carriage and Trolley Company Box 587 Kure Beach, North Carolina 28449	B-693
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Trans-Service, Inc. 564 Trollingwood Road Haw River, North Carolina 27258	B-411
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FIGURE NO. 10-1
MOTOR PASSENGER CARRIERS FRANCHISED TO OPERATE IN NORTH CAROLINA
AS OF DECEMBER 31, 2002

<u>Class I Carriers</u>	<u>Docket #</u>
Carolina American Tours	B-3
Carolina Coach Company	B-15
Greyhound Lines	B-7
Total Class I Carriers--3	
<u>Class II Carriers:</u>	
America Charters, Ltd.	B-366
Total Class II Carriers--1	
<u>Class III Carriers:</u>	
Carolina Charters of Vale, Inc.	B-525
Greenleaf Carriage and Trolley Company (The)	B-693
Trans-Service, Inc.	B-411
Total Class III Carriers--3	
<u>Motor Boat Common Carriers:</u>	
Anderson Maritime, Inc.	A-48
Austin, Rudy L.	A-30
Bald Head Island Transportation	A-41
Barrier Island Transportation Service, Inc.	A-37
Cape Lookout Ferry Service, Inc.	A-46
Island Ferry Adventures	A-52
Local Yokel Ferry & Tours, The	A-54
Morris Marina, Kabin Kamps & Ferry Service	A-26
Mystery Tours, Inc.	A-51
Outer Banks Ferry Service	A-40
Sand Dollar Transportation	A-38
Waterfront Ferry Service, Inc.	A-55
Willis, Alger G., Fishing Camps, Inc.	A-27
Total Motor Boat Carriers--13	

GRAND TOTAL CARRIERS--20

*All carriers have intracity authority pursuant to Commission Rule R2-69.

FIGURE NO. 10-2
MOTOR PASSENGER BROKERS FRANCHISED TO OPERATE IN NORTH CAROLINA (All Intercity)
AS OF DECEMBER 31, 2002

Transportation Brokers	Docket #	Transportation Brokers	Docket #	Transportation Brokers	Docket #
A & B Tours Route 4, Box 585 Louisburg, N. C. 27549	B-524	Davis Tours, Incorporated 118 Grandview Lane Hendersonville, N. C. 28739	B-342	Pleasure Tours 109 Keenan Drive Mooresville, N. C. 28115	B-626
Albertson, Charles W. Route 2, Box 141E Beaulaville, N. C. 28518	B-332	Daybreak Sing, Inc. 1314 Winfield Drive Winston Salem, N. C. 27105	B-434	Scurlock's Travel & Tours P.O. Box 424 Pittsboro, N. C. 27312	B-413
B J & M Tours 127 Poplar Street Roanoke Rapids, N. C. 27870	B-480	Discount Travel Services, Inc. Route 2, Box 282 Wadesboro, N. C. 28170	B-602	Smoky Mountain/Highland Tours, Inc. P. O. Box 1652 Asheville, N. C. 28805	B-303
Boardwalk Sales and Tours 3513 Edna Street Fayetteville, N. C. 28311	B-571	Edwards, Patricia T. P. O. Box 7162 Wilson, N. C. 27895-7162	B-402	Southern States Tours & Conventions 117 Hollyberry Lane Lexington, N. C. 27292	B-600
Cabin Fever Tours 565 Rocky Branch Road Canton, N. C. 28716	B-694	4 Wynnes, Inc. Tours and Travels Route 1, Box 463A Winterville, N. C. 28590	B-482	Spirit of Columbus Explorations & Exped 905 Gales Avenue Winston-Salem, N. C. 27103	B-582
Caro-Lan Tours, Inc. 4 Barksdale Drive Jacksonville, N. C. 28540	B-464	Fun Tours P. O. Box 4058 Hickory, N. C. 28603	B-675	Summy Travel Services, Inc. P. O. Box 1588 Sanford, N. C. 27331	B-322
Carolina Culture Tours 2020 Pershing Street Durham, N. C. 27705	B-667	J & J Tours P. O. Box 121 Murfreesboro, N. C. 27855	B-564	Travel Time of Salisbury 1529 W. Innes Street Salisbury, N. C. 28144	B-367
Carolina Tours, Inc. 30 Cherry Grove Road Asheville, N. C. 28805	B-326	JA-DE Tours & Charter 1224 Broad Street New Bern, N. C. 28560	B-573	Travel Tours, Inc. P. O. Box 25403 Charlotte, N. C. 28229-5403	B-284
Charlotte Arrangements 1409 E. Boulevard, Suite 231 Charlotte, N. C. 28203	B-615	Kahl's, Wayne, Tours Route One, Box 261 Union Grove, N. C. 28689	B-523	USA Luxury Tours, Inc. 4210 Amesbury Lane Durham, N. C. 27707	B-673
Christian Tours, Inc. 4643 Highway 16 South Maiden, N. C. 28650	B-689	Kay, Hazel, Tours 910 Alice Drive Thomasville, N. C. 27360	B-330	Western Carolina Tours, Inc. P. O. Box 8544 Asheville, N. C. 28814	B-351
Convenient Tours Route 1, Box 336-A Ash, N. C. 28420	B-410	On the Go Tours, Inc. 1316 Alderman Circle Raleigh, N. C. 27603	B-681	Word, Ken, Tours P. O. Box 956 Edenton, N. C. 27932	B-644
Creation Tours 7 Timberline Road Canton, N. C. 28716	B-512	Per-Flo Tours, Inc. 339 Bryan Blvd., Hwy. 117 & 13 South Goldsboro, N. C. 27530	B-321		

TOTAL BROKERS--35

FIGURE NO. 10-3
CLASS I AND II REGULAR ROUTE PASSENGER CARRIERS
Summary of Selected Income Items and Operational Statistics (N.C. and Systemwide Data Noted)
For the Calendar Years 2001 and 2002

ITEMS	Year	American Charters Ltd Docket #B-366	Carolina American Tours Docket #B-3	Carolina Coach Company Docket #B-15	Greyhound Lines, Inc. Docket #B-7	Total Class I and II
Operating Revenues (N.C. Portion):	2001	5,695,670	2,922,561	1,595,019	2,001,305	6,518,885
	2002	4,519,687	2,337,686	1,277,003	1,749,550	5,364,239
INCOME ITEMS (SYSTEMWIDE):						
Operating Revenues	2001	10,544,884	2,985,737	23,393,503	880,253,777	906,633,017
	2002	7,768,833	2,641,155	24,622,158	864,544,668	891,807,981
Operating Expenses	2001	7,521,028	3,131,395	17,015,830	870,296,381	890,443,606
	2002	7,189,906	2,672,294	18,056,484	867,749,000	888,477,778
Net Operating Income Before Taxes	2001	\$3,023,856	(\$145,658)	\$6,377,673	\$9,957,396	\$16,189,411
	2002	578,927	(31,139)	6,565,674	(3,204,332)	3,330,203
Other Income (Deductions)—Net	2001	(2,163,598)	39,981	(11,524)	(26,379,418)	(26,350,961)
	2002	0	14,099	(26,027)	(50,290,431)	(50,302,359)
Income Taxes	2001	251,846	(21,920)	0	0	(21,920)
	2002	55	(8,023)	0	0	(8,023)
Net Income After Taxes	2001	\$608,412	(\$83,757)	\$6,366,149	(\$16,422,022)	(\$10,139,630)
	2002	578,872	(9,017)	6,539,647	(53,494,763)	(46,964,133)
Operating Ratio	2001	71.3%	104.9%	72.7%	98.9%	98.2%
	2002	92.5%	101.2%	73.3%	100.4%	99.6%
STATISTICS (N.C. ONLY):						
Total number of buses owned	2001	97	33	35	967	1,035
	2002	89	38	83	967	1,088
Total gallons diesel fuel purchased or used	2001	653,516	54,065	1,240,665	48,333,509	49,628,239
	2002	476,459	167,897	1,197,858	47,691,854	49,057,609
No. of intrastate charter trips	2001	4,007	7,547	110	197	7,854
	2002	3,449	7,212	138	78	7,428
N.C. Intrastate Operating Revenues for 2002						
Passenger		0		\$1,101,139	\$1,361,083	\$2,462,222
Charter		\$3,245,310	\$1,914,951	162,544	134,603	\$2,212,098
Express		910,117		13,321	75,225	\$88,546
Other Operating Revenues		364,260	422,735	0	178,639	\$601,374
Total		\$4,519,687	\$2,337,686	\$1,277,004	\$1,749,550	\$5,364,240

FIGURE NO. 10-4

REGULAR ROUTE PASSENGER CARRIERS
Summary of Total Revenues and Expenses
For the Calendar Years 2001 and 2002

Class III Carriers	Docket Number	Total Company Operating Revenues		Total Company Operating Expenses		Total Company Operating Ratio	
		2001	2002	2001	2002	2000	2001
Carolina Charters of Vale, Inc.	B-525	\$522,309	\$401,522	\$576,954	\$403,800	110.5%	100.6%
The Greenleaf Carriage and Trolley Co.	B-693	20,098	N/R	100,763	N/R	N/COMP	N/COMP
Trans-Service, Inc.	B-411	136,850	166,879	154,427	151,192	112.8%	90.6%
TOTAL (3)		\$679,257	\$568,401	\$832,144	\$554,992	122.5%	97.6%

N/R = No Annual Report Filed

N/COMP = Not Comparable

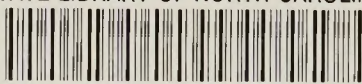
FIGURE NO. 10-5

**MOTOR BOAT COMMON CARRIERS
AS OF DECEMBER 31, 2002**

Anderson Maritime, Inc. (A-48) 881 Ann Street Beaufort, North Carolina 28516	Island Ferry Adventures (A-52) 131-A Old Causeway Road Atlantic Beach, North Carolina 28512	Outer Banks Ferry Service, Inc., d/b/a (A-40) 328 Front Street Beaufort, North Carolina 28516
Austin, Rudy L. (A-30) P. O. Box 375 Ocracoke, North Carolina 27960	Local Yoke Ferry & Tours, The (A-54) 516 Island Road Harkers Island, North Carolina 28531	Sand Dollar Transportation (A-38) Box 179 Harkers Island, North Carolina 28531
Bald Head Island Transportation, Inc. (A-41) P. O. Box 3069 Bald Head Island, North Carolina 28461	Morris Marina Kabin Kamps & Ferry Service Inc. (A-26) 1000 Morris Marina Road Atlantic, North Carolina 28511	Waterfront Ferry Service, Inc. (A-55) P. O. Box 207 Harkers Island, North Carolina 28531
Barrier Island Transportation Service, Inc. (A-37) P. O. Box 400 Harkers Island, North Carolina 28531	Mystery Tours, Inc. (A-51) 1227 Creek Road Morehead City, North Carolina 28557	Alger G. Willis Fishing Camps, Inc. (A-27) P. O. Box 234 Davis, North Carolina 28524
Cape Lookout Ferry Service, Inc. (A-46) 1698 Island Road Harkers Island, North Carolina 28531		

Company	Scope of Operation	Operating Revenues	Operating Expenses	No. of Passengers
Anderson Maritime, Inc. Austin, Rudy L. Bald Head Island Transportation, Inc. Barrier Island Transportation Service, Inc. Cape Lookout Ferry Service, Inc. Island Ferry Adventures Local Yoke Ferry and Tours, The Morris Marina Kabin Kamps & Ferry Service Inc. Mystery Tours, Inc. Outer Banks Ferry Service Sand Dollar Transportation Waterfront Ferry Service, Inc. Alger G. Willis Fishing Camps, Inc.	From Morehead City to Shackleford Banks/Return and Between Points Within Waterways of NC Ocracoke to Portsmouth Island Via Water and Return From Southport to Bald Head Island Via Water and Return From Harkers Island to Cape Lookout Bight Area on Cape Lookout and Return From Harkers Island to Shackleford Banks and Cape Lookout and Return From Atlantic Beach to Shackleford Banks, Carrot Island, Cape Lookout, Morehead City & Beaufort and Return From Harkers Island to Shackleford Banks and Cape Lookout and Return Statewide in North Carolina Via Water From Morehead City and Beaufort to Shackleford Banks and Cape Lookout and Return Beaufort to Carrot Island/Shackleford Banks/Cape Lookout Harkers Island to/from Cape Lookout and Shackleford Banks From Morehead City to Shackleford Banks and Return Davis, NC to Outer Banks (Cape Lookout National Seashore)	\$44,093 32,550 3,224,287 32,649 89,582 61,521 45,398 546,865 352,216 110,419 16,824 4,000 758,860 \$5,319,264	\$41,916 24,765 3,280,287 33,238 74,433 52,451 46,416 533,585 186,981 94,735 13,497 9,519 407,763 \$4,799,586	3,000 2,527 267,272 4,028 10,316 N/A 40,858 NA 4,889 6,468 2,068 646 11,394 353,466

NA - Not Available



3 3091 00676 1209

